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FINANCIAL TIMES

No. 28,201

Wednesday June 25 1980

***20p

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NEWS SUMMARY

GENERAL

Vietnam forces end Thai attack

Vietnamese forces attacked Thai border villages and shot down two aircraft before withdrawing into Kampuchea, Thailand said yesterday.

The news came as South-east Asia's non-Communist nations pledged solidarity against Vietnamese-led attacks on Kampuchean refugee camps along the Thai border.

The Association of Southeast Asian Nations could harden its stand on the Kampuchean crisis at a conference in Kuala Lumpur today.

In Washington, the State Department voiced concern over the raid into Thailand and said it was stepping up arms sale in Bangkok under easy credit terms. Page 3

Carter pledge

President Carter has assured Yugoslavia's new collective leadership—full support for their independent policies when he paid a 24-hour visit to Belgrade. Page 2

Begin threatened

Israeli Premier Menachem Begin's coalition could face an Opposition no-confidence motion today as another three of his supporters in the Knesset threatened to quit. Page 3

Spain 'bombs'

Basque guerrillas said they would start a bombing campaign today in the Spanish coastal province of Alicante unless 18 detainees were freed.

Iran rebels die

Fifteen alleged rebels were executed in Khoy, western Iran, after an Iranian revolutionary court found them guilty of murdering the town's governor.

Observer hitch

Crucial talks on new technology at the Observer newspaper have been stalled over payments to print craftsmen as a July 1 settlement deadline neared. Page 9

Gandhi funeral

More than 100,000 mourners in New Delhi attended the cremation of Sanjay Gandhi, the son of Premier Indira Gandhi, who died in an air crash on Monday.

BBC spy charge

A Soviet newspaper has alleged that the BBC included spy codes in its external services broadcasts to tip off British agents.

Prophet and loss

Export of Bibles from Britain has dropped by almost 50 per cent between 1972 and 1979, says a report. School textbook exports rose by 25 per cent.

Briefly

EEC Transport Ministers have endorsed a draft directive for Community-wide driving licences by January, 1986.

Spanish Socialist Party has threatened a clash with the Government over plans for NATO membership. Page 2

Portugal's national Olympic committee announced an 11-strong team for the Games in Seville of the Government.

At least 20 people were arrested in Grenada in connection with a bomb blast which killed two people during a Government rally.

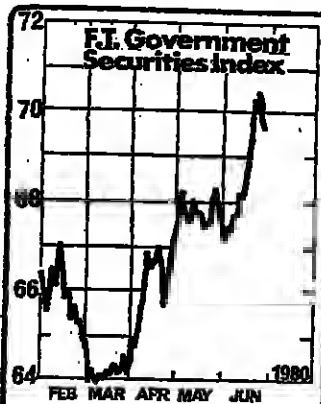
Second Test at Lord's was abandoned because of rain: England 269 and 138-2, West Indies 518.

Swarm of mosquitoes have stopped play at a golf club at Gullivare, Sweden.

BUSINESS

Gilts fall 0.40; Equities off 7.1

GILTS market became nervous on news that Wedd and Owen, the jobbing firm, had



stopped trading. The Government Securities Index dropped 0.40 to 69.55. Page 36

EQUITIES were also unsettled by the closure news, and the FT 30-share index fell 7.1 to 462.7. Page 36

GOLD rose \$3 on late London demand to close at \$364.5. Page 29

STERLING fell 60 points on continued fears of an MLR cut, closing at \$2.3360. Its trade-weighted index was 72.7 (73.2). DOLLAR closed at DM 1.7599 (DM 1.7670) and its index was 83.4 (83.3). Page 29

WALL STREET was 2.90 up at 876.71 near the close. Page 35

WEDD AND OWEN, the specialist gilts jobber, blamed its decision to stop trading on increasing costs, the high cost of money and the volatility of the market. Back Page

CHASE MANHATTAN executive vice-president Barry Sullivan, 49, was appointed chairman and chief executive officer of First National Bank of Chicago.

SCANDINAVIAN Bank's chief executive and managing director, Stefan Gadd, resigned, apparently because of policy differences with shareholders.

WEST GERMAN Capital Markets sub-committee agreed on a D-M 900m issue calendar of foreign D-mark bonds, the largest for six months. The figure could top DM 1bn. Page 26

UK INSURANCE companies record underwriting loss last year of £21.7m as expected to intensify pressure for big premium rate rises. Back and Page 8

LIBYA is expected to raise the price of its premium crude oil by 28 cents a barrel to \$37 from next Tuesday. Back Page; UK onshore exploration licences. Page 8

BP began preliminary talks in London with a Chinese delegation on a possible offshore oil exploration deal. Page 4

COMPANIES

FORD-WERKE, the West German subsidiary of Ford, recorded an 18 per cent drop in sales in the first four months of the year, and fears a shift to smaller cars will hit 1980 profits. Back Page

THORN EMI said the proposals for passing over the troubled medical scanner business to General Electric would be modified in the light of the U.S. Justice Department's objections. Page 24

WILKINSON MATCH, the consumer products, fire equipment and packaging group, announced pre-tax profits for the year down £4.93m at £14.07m on turnover of £366.21m (£271.65m). Page 22 and Lex, Back Page

Unemployment climbs to post-war peak of 1.53m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ADULT UNEMPLOYMENT has jumped by 50,700 on a seasonally-adjusted basis in the last month as industry has responded to falling orders and a squeeze on liquidity by making more workers redundant and by cutting back on new recruitment.

The rise in the number of adults out of work in the UK in the month to mid-June is the sharpest monthly increase since October, 1975. This has taken the seasonally-adjusted total up to a post-war peak of 1.53m, which is equivalent to 6.3 per cent of the workforce.

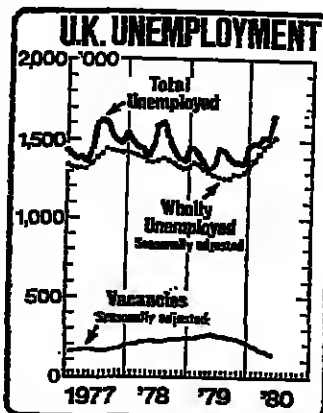
This represents an increase of 372,600, or 31 per cent, since the total started to rise last September.

The number of school leavers out of work also increased sharply—by 137,500 to nearly 157,000—boosting the unadjusted total by 150,500 to 1.66m.

This most dramatic illustration so far of the deepening recession caused a major political row in the Commons. It was clear from comments there and earlier by Mr. John Biffen, the Chief Secretary to the Treasury, that the Government now intends to stress the connection between rising unemployment and high wage settlements in an attempt to influence pay claims over the next year.

Mr. Biffen said: "If wage

Editorial comment Page 20 • Misleading aspects of the figures Page 7



vacancies are being registered at department offices during the course of each month. Similarly, over 380,000 people are leaving the unemployment register during each month.

The unemployment total would be much higher but for the Government's special job assistance measures which in May kept 189,000 people off the register.

There have been marked regional variations. The sharpest rise since last September has been in areas with a particularly heavy concentration of manufacturing industry. In the West Midlands, for example, the total has risen by nearly 29 per cent, while in South-East England the rise has been just under 20 per cent.

BL seeks union promises on unofficial stoppages

BY PHILIP BASSETT, LABOUR STAFF

BL IS seeking a new commitment from its workforce requiring unions actively to prevent employees from taking either unofficial or sympathetic industrial action.

The company's proposals are spelled out in a confidential memorandum of agreement defining the new framework for its relations with its trade unions. The memorandum is to take effect after the company's withdrawal from the Engineering Employers' Federation next month.

The document was presented this week to leaders of the Confederation of Shipbuilding and Engineering Unions by senior members of BL's management at a special meeting at the confederation's annual conference in Llandudno.

Union officials have been expecting some form of guidance from the company to take the place of the national EEF agreement, and initial union reaction, though cool, has not been completely unfavourable.

£21.3m Ferranti rights issue

BY GUY DE JONQUIERES

FERRANTI, the defence electronics company, yesterday announced plans to make a one-for-one rights issue intended to raise £21.3m to finance its investment programme.

The move may complicate plans by the National Enterprise Board to dispose soon of its 50 per cent interest in Ferranti. The company has expressed concern that the holding may be sold off as a block to the highest bidder, diminishing its independence.

The NEB, which has approved the planned offer, has been

or dispute" between the CSEU unions and other employers.

The document has upset some union leaders on pay because it refuses to commit the company to present EEF minimum rates. It also states that the EEF agreement on hours reached at the end of last year's engineering industry dispute which prohibits further negotiation on reducing working time until after October 1983 should be binding even after its EEF withdrawal.

BL's wish to withdraw from the EEF was heightened by last year's engineering dispute, in which it alone among major UK motor manufacturers was hit by the series of strikes.

A strike over tea-breaks and relaxation time halted Mini and Allegro production at Longbridge, Birmingham, yesterday with 1,500 workers laid off. BL said that 500 patterners had walked out in protest at the introduction of standard tea-breaks and more flexible working practices.

Continued on Back Page

Lex Back Page

Labour uproar over figures

BY PHILIP RAWSTORNE

A FURIOUS political row erupted in the Commons yesterday over the recent unemployment figures.

Mr. Dennis Skinner, Left-wing Labour MP for Bolsover, was expelled from the Chamber after a series of noisy clashes with Mr. James Prior, Secretary for Employment.

Mr. James Callaghan. In a scathing attack on Government policies, told Mrs. Margaret Thatcher that they were "not going to be tolerated in this country." He asked: "How much industry will be left by the time you think you have conquered inflation?"

Mr. Callaghan went on to condemn the Venice summit's overriding priority for fiscal and monetary restraint as "a recipe for recession and slump."

The Prime Minister, under almost constant attack for 75 minutes, told MPs that higher unemployment was the short-term price that had to be paid if inflation was to be squeezed out of the economy.

"You were ready to take harsh decisions under the aegis of the IMF," she snapped at Mr. Callaghan. "We are ready to take harsh and difficult decisions to prevent the IMF coming in."

Amid Labour jeers, she added: "I believe these policies will work but they must be given time to work and total support."

Mr. Callaghan, loudly cheered by his backbenchers, accused the Prime Minister of complacency.

He challenged her to give some indication of her time-scale for reducing inflation and unemployment.

Mrs. Thatcher retorted that it would depend on the co-operation the Government was given in reducing wage settlements.

Uproar had earlier engulfed Mr. Prior as he appeared to answer employment questions.

Mr. George Thomas, the Speaker, after repeated warnings to the protesting Mr. Skinner, finally ordered him to leave the Chamber. Mr. Skinner, dubbed Mr. Prior "Secretary for Unemployment" and continued to protest. But he stalked out as the Speaker summoned the Serjeant-at-Arms, to escort him from the House.

Parliament Page 10

£ in New York

	June 85	Previous
Spot	\$2.3420-3430S2.3395-3340	
1 month	1.64-1.68 dis 1.70-1.62 dis	
3 months	4.42-4.42 dis 4.39-4.29 dis	
12 months	9.90-9.70 dis 9.70-9.55 dis	

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)	
RISES:	FALLS:
Giltspur 65 + 4	Ferranti 542 - 11
Nichols (Vinto) 375 + 15	Pisons 280 - 5
Rolls-Royce 57 + 3	Grattan Warehouses 68 - 4
WAGO 364 + 32	Hambro 487 - 16
Express 193 + 25	Lloyds Bank 322 - 6
Goldfields of S.A. 630 + 7	Marks & Spencer 91 - 3
Greynolds Mining 155 + 33	Midland Bank 363 - 7
Trans. Conn. Land 2174 + 1	Standard Fireworks 90 - 8
Utah Mining Aust. 260 + 10	Thorn EMI 276 - 18
	Trident TV A 52 - 3
	Trusthouse Forte 190 - 5
	UDS 68 - 4
	Vaux 157 - 5
	Whitebread A 158 - 8
	Whitecroft 70 - 4
	Wilkinson Match 113 - 9
	LASMO 693 - 15
	Ultramar 370 - 12
	North West Mining 73 - 5
	Stivermines 145 - 7
Press 121% 1980 5921 - 1	
Exchange 121% 1980 594 - 1	
Aspen Communities 92 - 6	
BAT Inds. 288 - 10	
Bambars 311 - 5	
Boots 311 - 5	
Cavoods 198 - 8	
Clive Discount 46 - 2	

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OVERSEAS NEWS

Mining chief warns Botha on falling confidence

BY BERNARD SIMON IN JOHANNESBURG

FEARS OF political instability in South Africa may prompt buyers of South African minerals to seek alternative supply sources, Mr. Dennis Etheredge, President of the Chamber of Mines, warned yesterday.

Delivering his annual presidential review, Mr. Etheredge said that the optimism which followed Prime Minister P. W. Botha's reforms last year "has regrettably begun to ebb in the face of signs that the resolve needed to implement these new directions in policy may be lacking." He added that "it will be tragic if the momentum, briefly gained, which touched all groups, is permitted to founder in disillusionment."

The Chamber of Mines, which is the spokesman of all South Africa's major mining companies, has in the past maintained a low profile on political issues. Its members range from relatively liberal Anglo American Corporation, of which Mr. Etheredge is a director, to more conservative companies such as Rand Mines and Gold Fields.

The mining industry generates about 26 per cent of total economic activity in South Africa. Besides reflecting the views of mining companies, Mr. Etheredge's remarks echo a growing unease among many South African businessmen that Mr. Botha's progress last year towards easing racial tension is rapidly being dissipated to appease the right wing of the ruling National Party.

Few of these doubts have been expressed publicly up to

now, mainly because the strength of the current business upswing has largely overshadowed political worries. Mr. Etheredge said that South Africa must "reinforce" its image as a reliable minerals supplier. "This requires more than merely a record of adherence to contractual obligations on the part of mining companies. It also requires that the Government adopt and implement policies which will inspire political confidence in a long-term uninterrupted supply of minerals from South Africa."

One of the major problems facing the mining industry is a shortage of skilled labour, Mr. Etheredge said. The shortfall rose from 1,000 to 16,000 men in the six months to March 1980, the equivalent of the skilled manpower required for two medium-sized gold mines.

Mr. Etheredge added that "we are at the stage now when barriers to black advancement are being removed but blacks are unable to take advantage of this because of the inadequacy of their basic schooling."

Trade unions, representing 3,500 striking black workers at the Volkswagen factory near Uitenhage, were offered a 20 per cent wage increase, following talks with employers yesterday. The increase will also apply to other motor manufacturers in the Eastern Cape.

The unions will inform their members about the proposals today. If accepted, Volkswagen, whose factory has been closed since the strike began last week, expects production to be back to normal in a day or two.

Mining, Page 25

ASEAN to discuss Thailand fighting

By David Dodwell in Kuala Lumpur

MINISTERS OF the Association of South East Asian Nations are to consider the escalating conflict in Indochina following the incursion of between 600 and 800 Vietnamese troops into Thai territory on Monday morning. Two Thai aircraft were reportedly shot down yesterday over an area of Thailand where Thai and Vietnamese troops battled for a second day. Senior Thai military officers at the border said Vietnamese-led troops, which captured three Thai villages in a lightning strike on Monday, pulled back early yesterday and dug into positions inside two abandoned refugee camps.

Arriving in Kuala Lumpur ahead of the 13th summit of foreign ministers from the five ASEAN countries—Thailand, Malaysia, Singapore, Indonesia and the Philippines—the Indonesian Foreign Minister Dr. Mochtar Kusumadarmas conceded that ASEAN's policy of pouring oil on Indochina's troubled waters would have to be reviewed, and that a deliberate escalation of the conflict would be discussed during the two-day summit.

He refused any more specific comments, arguing this would not be appropriate until details of the attack were reported by the Thai government, and until options had been fully discussed at the summit.

Dr. Mochtar's comments are significant because Indonesia has consistently been the most patient of the ASEAN nations. In listening to Vietnam's point of view, he nevertheless admitted considerable disillusion over the Vietnamese attack. "It certainly puts those who advocate continued dialogue with Vietnam in a difficult position. It makes it more difficult for us to maintain that what we have been doing is worthwhile."

Despite the threat the attack poses to Thailand's security, it is bound to galvanise and unify ASEAN at a time when there have been rumours of a rift between its leaders over how to resolve the crisis in Indochina.

Mr. Sinnathamby Rajaratnam, Singapore's deputy Prime Minister, said as he arrived in Kuala Lumpur that he was in favour of systematically arming and training Khmer refugees so that they could be sent back into Kampuchea to fight Vietnamese troops occupying the country.

He emphasised, however, that this was a personal view and would not take the form of a specific Singaporean recommendation to the summit.

He criticised the Vietnamese in typically harsh words: "Vietnamese leaders have been rebuking us for not accepting repeated assurances that they would not cross into Thai territory. Truth repeated many times is worth repeating, but lies repeated many times are a warning."

"We must make our assessment not on the basis of what the Vietnamese tell us, but on the basis of their actions, their ambitions and their relationship with other allies in the region," he said.

● The Vietnamese Foreign Minister, Nguyen Co Thach, yesterday denied that his country's troops had crossed into Thailand. Reuter reported from Jakarta.

"We have not crossed the border. I have been informed of the situation and we have not crossed the border," he said. "This is not the first time there have been confused and distorted reports and this time it is the same."

Mr. Thach has been having talks on the regional situation with Indonesian Foreign Minister, Mochtar Kusumadarmas.

Kathryn Davies in Singapore reports on why high wages are good for the Republic Singapore's 'second industrial revolution'

FOR THE second year running Singapore's National Wages Council, the tripartite body (which includes representatives of Government, unions and management) which advises the Government on pay, has recommended a substantial increase for workers.

From July 1, the council proposes that workers should receive an additional 7.5 per cent, plus S\$33 (£8.60) on top of their flat monthly salary. Companies are also being asked to set aside 3 per cent of their total monthly wage bill, as of June this year, for distribution to above-average workers.

With higher contributions to the Central Provident Fund (Singapore's unique compulsory savings scheme), and the recently set-up Skills Development Fund, the Council's recommendations would add 19 per cent to the national wages bill.

The Government sees higher wages as an essential part of its strategy to upgrade the economy, in what is commonly known as "the second industrial revolution". This sharp change of emphasis was signalled in June last year, when the Government endorsed the Council's recommendations of wage increases averaging 20 per cent, much higher than the



official inflation rate, around 4 per cent, or the annual productivity increase (4 per cent in 1978, 2.6 per cent in 1979).

The Government argues that, in avoiding the consequences of world protectionism for products of such labour-intensive industries as textiles, the Singapore economy must become more capital-intensive and more value must be added. It hopes that a high wages policy will result in a shake-out of inefficient companies, and is prepared to see some manufacturers re-locate their factories—perhaps across the causeway in neighbouring Malaysia.

This is reflected in the official figures for an inflow of foreign workers. From 23,000 in 1978, the inflow dropped to 10,000 last year. In the first five months of this year there was a net outflow of some 800 foreigners.

The Government's rapid acceptance of the Council's latest guidelines suggests it is

reasonably happy with progress so far. According to Ministry of Labour statistics, 489,000 workers, 83 per cent of those eligible, benefited from last year's council recommendations "in varying degrees."

Singapore has a tight labour market, with unemployment running at a mere 3.3 per cent at the end of 1979. Moreover, 100,000 guest workers, most of them from Malaysia, serve to cushion against local redundancies.

Not surprisingly, the 430 workers who lost their jobs last year as a result of the new economic policy quickly found other employment.

Some local economists and businessmen have expressed reservations. They question the effectiveness of the new economic strategy, and worry about its effect on foreign investment.

A recent report by the U.S. embassy in Singapore concluded that while a significant capital flight seemed unlikely, the wages policy may divert potential new investment or expansion of existing investments.

Employers point out that wage increases apply equally to manufacturing and non-manufacturing industries, and may

end up by hurting precisely those service industries—like banking and tourism—which the Government is trying to encourage.

Some grumbling is undoubtedly special pleading on the part of employers traditionally reluctant to pay higher salaries. Certainly, investment commitments from abroad show no sign of slackening as a result of government policy.

Foreign investments, in terms of gross fixed assets, grew by 21 per cent in 1979 last year; bringing the cumulative total to S\$8.3bn. In the first four months of this year, investment commitments from foreign and local sources totalled S\$400m.

Despite the latest spurt in wages, few Singapore workers are likely to be jumping for joy. Inflation is running at 10 per cent this year. And, in any case, the Government makes sure that much of this increase is mopped up by additional contributions to the Central Provident Fund, the savings scheme which enables employees to buy government-built flats, as well as providing money for pensions on retirement.

From next month, workers will become liable to pay 18 per cent of their wages into the fund, a sizeable bite of potential take-home pay.

Chinese leader points to Mao's 'great mistakes'

BY TONY WALKER IN PEKING

A SENIOR member of the Chinese leadership has made the most outspoken criticism yet of the late Chairman Mao, saying that he made great mistakes in the last years of his life.

Hu Yaobang, general secretary of the Chinese Communist Party Central Committee, told Party Central Committee, told Yugoslavian journalists that Mao bore responsibility for the Cultural Revolution, and that the party was in the process of making a re-evaluation of Mao's contribution to the revolution.

Mr. Hu, 67, is one of the "younger" Communist officials who have recently been promoted to take over from the present ageing leadership. He is regarded as the party's theoretician and one of its more progressive elements.

Mr. Hu said the Central Committee of the Chinese Communist Party would have a special meeting to discuss the Cultural Revolution and Mao's role in it.

The Cultural Revolution, launched in 1966 as a campaign against "bourgeois" elements in the Chinese Communist Party, turned into a purge of many senior officials, including Deng Xiaoping, now Senior Vice Premier, and Liu Shaohai, the former head of state.

It is now suggested that Mao inspired the Cultural Revolution as a means of getting rid of those he thought represented a challenge to his leadership.

The campaign, however, got out of control and brought China to the brink of civil war.

The Cultural Revolution has been described as a "catastrophe" by the present leadership. Mr. Hu's remarks suggest Mao is now going to be held publicly responsible for this catastrophe. He said the Chinese Communist Party's view of Mao was that while he made a great contribution, the

Party didn't wish to conceal his mistakes.

Mr. Hu, in an extraordinary reference to Mao's works which have been regarded as China's revolutionary scriptures, said some were just empty talk. He observed that you could no longer sleep on old books.

Mao was often wrong, he said, when it came to economic questions and questions of Socialist construction and a lot of what he said doesn't fit the present stage of the Revolution. Mr. Hu also spoke of widespread purges and physical torture which went on during the Cultural Revolution, the

implication being that if Mao bore primary responsibility for the Cultural Revolution itself then he should also be held accountable for the physical abuses that went on.

He revealed that 100m people had been rehabilitated in the aftermath of the Cultural Revolution. This represented 80-90 per cent of those who were going to be rehabilitated.

On the question of the leadership succession, Mr. Hu said China wanted a collective leadership as applied in Yugoslavia, but hinted that the problem had not been completely solved.

Begin's prospects dim as two leave coalition

BY DAVID LENNON IN TEL AVIV

THE ALREADY doubtful prospects of Mr. Begin's Government surviving its full term of office "until November 1981" dimmed further when two Knesset members quit the coalition on Monday night and another three said yesterday that they were also considering resigning.

Mr. Begin now commands only 62 seats in the 120-member Knesset, and there is a strong possibility that this majority could be reduced further within a matter of weeks.

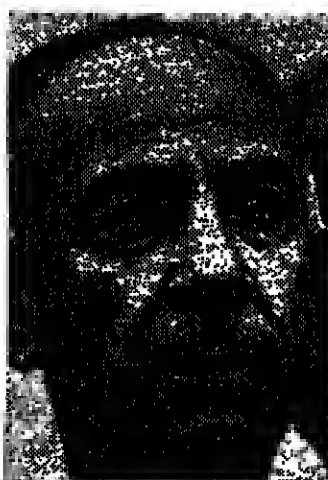
The latest two defectors are Mr. Shimon Eilahu and Mr. Shafik Assaf of the Democratic Movement. These two junior Knesset members by their departure have left the Democratic Movement with only four members still supporting the Government out of the 15 who originally joined the coalition in 1977.

One of the Opposition factions, the Shai Party, which quit the coalition over a year ago, may table a Bill in Parliament today calling for the dissolution of the Knesset and the holding of new elections. It was unclear last night just how much support the Bill would command in the House.

As the opinion polls show that most of the coalition parties would suffer serious losses if elections are held soon, there is a strong motivation for most members to keep the Government in power.

One of the biggest threats to the survival of the Government was removed yesterday when the inner economic Cabinet agreed to cut the budget by an additional 135,400m (£470m).

Mr. Yigal Hurvitz, the Finance Minister, had threatened to lead his three-man



Mr. Yigal Hurvitz... threat removed

party out of the coalition if the Cabinet continued to oppose his demands for major cuts in public expenditure.

In anticipation of an escalation in operations by Palestinian guerrillas, Israel has intensified its activity in southern Lebanon. Israeli Hizball reports from Beirut.

According to United Nations officials, the Israelis have set up two new military posts inside Lebanese territory north of Metuliah. This brought up to three the number of Israeli outposts, all located inside the enclave controlled by Christian Militia backed by Israel.

Israeli gunboats exchanged fire with Palestinian positions off the coast of Tyre on Monday night while Israeli fighter jets and helicopters flew overhead.

Palestinian guerrillas have been placed on alert in anticipation of Israeli raids in retaliation to the wave of bomb attacks in the West Bank and Israel during the past week.

THE DREYFUS INTERCONTINENTAL INVESTMENT FUND N.V.

DECLARATION OF DIVIDEND

At the Annual General Meeting of the Dreyfus Intercontinental Investment Fund N.V., held in Curaçao on May 1, 1980, the Shareholders of the Fund, acting upon the recommendation of the Fund's Board of Directors, declared a dividend of \$0.10 (U.S.) per share to Shareholders of record on May 23, 1980. This dividend is payable on June 17, 1980 to holders of bearer shares upon surrender of Dividend Coupon No. 10 as attached to the share certificate, to one of the offices of the paying banks listed below. This distribution is being made from net investment income.

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Luxembourg-Ville,
Luxembourg 2205

Deutsche Bank AG
Grosse Gellassestr. 10-14
6 Frankfurt/Main 1
West Germany

Royal Bank of Canada
(Bahamas) Limited
Mutual Funds Department,
P.O. Box N7788,
Nassau, Bahamas Island

Dividends payable on shares held in a Dreyfus Intercontinental Voluntary Account will either be paid directly to the Account holder or automatically reinvested, depending upon the election made by the Account holder when his Account was established.

Reports are available at the offices of the above-mentioned paying banks or at

Dreyfus GmbH,
Maximilianstr. 24, 8 Munich 22, West Germany.

New Korean reunification proposal

By Ron Richardson in Seoul

SOUTH KOREA yesterday proposed that the Prime Ministers of the two halves of the divided peninsula should meet no later than September in an attempt to ease tensions and discuss reunification.

In a meeting between working level officials at the border village of Panmunjom, the ninth in a series of contacts aimed at setting up the government-to-government discussions, South Korea attempted to set a deadline to bring the meeting to fruition.

However, the North Koreans failed to respond to the deadline and to an accompanying offer by Seoul to amend its proposed agenda to bring it more in line with the outline suggested by Pyongyang.

The North Koreans said they could not continue to negotiate with their Southern counterparts with martial law in force in the South and political activity banned.

The only agreement at yesterday's contact was to meet again on August 20.

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Managing Director Gordon Simpson (right) and Underwriting Manager David Manning serve clients from Continental Re's London office.

OVERSEAS NEWS

'10,000 Russian troops quitting Afghanistan'

MOSCOW—Moscow Radio, quoting the Afghan Government, yesterday said one division of Soviet troops and 108 tanks were leaving Afghanistan for home under the Kremlin's limited military pull-out, Reuter reports.

The announcement, on the radio's overseas English-language broadcast, indicated the Kremlin was withdrawing 10,000 men from the country, which Soviet troops entered last December.

The Afghan Information Ministry in Kabul was quoted by the radio as saying the troops were proceeding along the 310-mile road to the Soviet border via the Salang Pass.

K. K. Sharma, reports from New Delhi: If the withdrawal has actually taken place, it is the first since the Soviet invasion last December. But there is widespread scepticism among Western diplomatic observers and regional analysts in New Delhi.

The analysts point out that for the past fortnight there have been heavy reinforcements of Russian troops in Afghanistan. They mention increased air activity, especially the landing of transport troop carrier planes in Kabul.

The much-publicised withdrawal is probably just a show timed to coincide with the meeting of the committee formed by the Islamic conference at Geneva, which has declared support for the intensification of

the insurgency against the Karmel régime.

It is also believed to be intended to placate such countries as India which last week expressed open scepticism over Russian intentions to withdraw from Afghanistan.

If so, the move has been partially successful, since Indian officials have welcomed the decision to begin withdrawal of troops although further details are awaited before an official statement is made.

Observers here point out that insurgency in Afghanistan is becoming more effective and the rebels appear to be acquiring new and modern arms. They are also learning to attack convoys and bring down Russian helicopter gunships.

In face of this intensified activity, the Russians would need more troops to deal with the situation rather than withdraw them. Hence the conclusion is inescapable that the announcement is politically motivated and is being used for propaganda purposes.

The Russians have never announced the number of their troops in Afghanistan but Western observers have estimated them at between 85,000 and 100,000. It is known that troops have been rotated and many contingents from Central Russia are being replaced by those from the eastern provinces. It is possible, therefore, that the "withdrawal" is just part of the rotation.

Charles Smith, Far East Editor in Tokyo, looks at the struggle for the leadership of the LDP

Wanted: someone to celebrate a triumph

THE TRIUMPH of Japan's Liberal Democratic Party (LDP) in last Sunday's election, when the party emerged with its biggest Lower House majority since 1969, leaves open the question of who will lead the party and become Prime Minister. Japan's last Prime Minister, Mr. Masayoshi Ohira, died half-way through the election campaign, removing, according to some analysts, the Opposition's main target, and improving the LDP's showing. He left no heir. Indeed, it is almost impossible to decide which of three probable candidates for the leadership has the best chance of succeeding Mr. Ohira.

The men concerned include two, Mr. Yasuhiro Nakasone and Mr. Toshio Komoto, who have made clear their candidacies, and one, Mr. Kiichi Miyazawa, who has not, but who might be called upon to serve if pressed. The reason why Mr. Miyazawa has a chance, despite his reticence, is that there are serious objections to each of the other two.

Disturbed by other party members

Mr. Nakasone, 62, leads the fourth-largest major factional grouping in the Liberal Democratic Party, and is the only leader of a big faction whose name is in the ring. But he is widely distrusted by other party members, not least for his wheeling and dealing during the various intra-party confrontations of the past few years.

Until early this year, the

THE PARTIES

Liberal Democratic Party (LDP)	284	(258)
Japan Socialist Party (JSP)	107	(107)
Komeito (Clean Government Party)	33	(58)
Japan Communist Party (JCP)	29	(41)
Democratic Socialist Party (DSP)	32	(36)
New Liberal Club (NLC)	12	(4)
United Socialist Democratic Party (USD)	3	(2)
Independents	11	(4)
Vacancies	0	(1)
TOTAL	511	511

Figures in brackets show party strengths at the dissolution of Parliament.

THE LDP FACTIONS



The LDP is split into six main factions: the "mainstream" faction, led by Mr. Kakuei Tanaka (with 58 adherents) and the late Mr. Masayoshi Ohira (55); and the "anti-mainstream" groups, led by Mr. Takeo Fukuda (49), Mr. Takeo Miki (33), and Mr. Ichiro Nakasawa (10). Mr. Yasuhiro Nakasone leads a faction (44) whose position is unclear. There are 37 uncommitted LDP Members of Parliament.

Nakasone faction was considered to be one of the "anti-mainstream" factions which opposed the leadership of the late Mr. Ohira. The faction changed sides—or attempted to do so—when Mr. Nakasone failed to join other anti-mainstream leaders in a walk-out during the crucial no-confidence vote which led to the downfall of Mr. Ohira's Cabinet in May. By not taking part in the walk-out, Mr. Nakasone lost any prospect of becoming the candidate for party leadership of the anti-mainstream groups seeking to overthrow Mr. Ohira. Whether he has been accepted as a *bona fide* member of the

"mainstream" group is a different question.

Mr. Nakasone's chief rival, Mr. Komoto, 69, has been regarded up to now as the No. 2 man in one of the leading anti-mainstream groups, the one led by Mr. Takao Miki, an ex-Prime Minister. He is widely liked and trusted elsewhere in the party, and is also supported by the business world. He is, in fact, an ex-businessman. However, his factional affiliation will certainly tell against him if the present clear alignment of mainstream and anti-mainstream factions continues in existence until a new Prime Minister is chosen.

Mr. Komoto's best chance of gaining the leadership is, therefore, to play down his factional affiliations. He has done this by making the sweeping suggestion that the factions should be abolished altogether, so that candidates can be selected on their merits.

If Mr. Komoto fails to pull off his faction-dissolving gambit, and if the "mainstream" group decides it cannot stomach Mr. Nakasone, the chances are that Mr. Miyazawa will be called on to take over the leadership. Aged 62, and a member of the Ohira faction, Mr. Miyazawa is by far the most sophisticated member of the Diet. (Elected in 1976, the first election

after he had been embroiled in the Lockheed bribery affair, but is still *de facto* leader of the Tanaka faction, the party's largest, and a pillar of the "mainstream" group. With the Ohira faction leaderless, Mr. Tanaka may well have to decide whether the mainstream alliance should accept Mr. Nakasone as its candidate, or go for one of the other two options. His position has become even more crucial since the surprise electoral defeat of the veteran Mr. Eisaku Ishikawa, Mr. Tanaka's former right-hand man within the LDP.

Leadership decision

The leadership question is expected to be settled by the week of July 17 to 24, when the Diet will probably be convened for its first post-election session. The man who gets the job will formally be chosen to do no more than serve out the remaining five months of Mr. Ohira's unexpired two-year term as leader.

In reality he will probably steer the party—and Japan—through at least the next two years.

The LDP's new-found strength could make these events a turning-point, at least in terms of legislation, since the party now controls all the major Lower House committees. Instead of barely maintaining a majority, whether the Liberal Democrats will be harmonious in terms of party unity is another question, and a much more dubious one.

Shooting reaches Bethlehem

By David Lennon in Tel Aviv

THE USUALLY quiet Christian town of Bethlehem on the Israeli-occupied West Bank was tense and angry, following the death, yesterday, of a young Palestinian girl student, who had been injured five days ago by bullets fired by Israeli troops.

Part of the town is under curfew, following a revenge shooting over the weekend, presumably by a local Palestinian, which seriously wounded an Israeli soldier.

These incidents mark a sharp deterioration in the security situation in Bethlehem, which, as a tourist and pilgrim centre, has in the past been one of the quietest towns under the occupation.

The dead girl, Miss Tagrid al Batmen, whose age was variously given as between 19 and 22, was a second-year student at Bethlehem University. She was hit on Thursday while walking towards the University. The army spokesman in Tel Aviv said the bullets which caused her injury had been accidentally discharged from the gun of a passing military jeep.

Bethlehem University, a Catholic college, closed yesterday in sympathy and protest over the killing. In the past, college students have complained about harassment by the Israeli occupation forces. Despite the Israeli claim that the shooting was accidental, the general belief on campus is that this action is part of the Israeli "strong arm" policy aimed at intimidating the local Palestinian population.

Mr. Elias Freij, the mayor of Bethlehem, said yesterday that the fact the girl student had died from bar wounds would deepen the polarisation between Israelis and Palestinians. "The cycle of violence will hurt everybody," he said. The mayor, a moderate among the mainly radical nationalist West Bank leadership, said that he hoped the curfew imposed on the business centre of the town on Saturday, following the shooting of the soldier, would be lifted soon.

Vietnam troops launch attack into Thailand

BANGKOK — Vietnamese forces supported by artillery drove across the frontier into Thailand yesterday, overrunning one village, shelling others and sending up to 100,000 Kampuchean refugees fleeing in panic, Thai officers on the border reported.

More than 30 Thai soldiers were killed and another 100 were wounded in the sharp clashes that began shortly after midnight on Sunday. Casualties among the Kampucheans, of whom 200,000 are strung out in camps along the border, were thought to be heavy.

An Associated Press correspondent reported from the scene of the fighting that Vietnamese troops overran a Kampuchean border encampment at Noon Mark Noon, then entered a Thai village of the same name nearby, burning a few houses but apparently sparing the villagers who had remained behind.

Fighting was reported to be continuing, with the Thai army on full alert along the length of the border. The incursion occurs just two days before foreign ministers of the Association of South-East Asian Nations (ASEAN) meet in Kuala Lumpur to discuss the problem of Kampuchea.

Vietnamese artillery shelled at least three other Thai villages and 20,000 Thais had been evacuated from five border villages, the AP correspondent reported.

All foreign relief workers at the border were also being evacuated although there were no immediate plans to leave. The exodus of Kampucheans from the border.

The fighting and shelling was concentrated on a 60-kilometer

stretch of the border north of Aranyaprathet, 225 kilometres east of Bangkok. Roads leading northwards from the border town were closed to civilian traffic.

Some 200,000 Vietnamese are inside Kampuchea to prop up



the government in Phnom Penh. The Kampuchean regime and Vietnam have accused Thailand of supporting the Khmer Rouge guerrillas of the ousted Kampuchean Premier, Pol Pot, and recently of repatriating Pol Pot guerrillas in the guise of refugees.

Tony Walkers, adds from Bangkok, China, anxious about diminishing support for the Khmer Rouge, has called in foreign ambassadors to repeat its strong backing for the forces of Pol Pot. Among the Ambassadors summoned by the Chinese Foreign Ministry at the weekend were those of the United States, Australia, Japan, Thailand, Malaysia and New Zealand.

The Chinese, clearly summoned representatives of the only two ASEAN countries represented in Peking, along with those of Australia, New Zealand and Japan to make sure Peking's message was carried to the ASEAN foreign ministers' conference.

The Chinese diplomatic moves may also have the longer-term aim of persuading countries of the region and America not to drop recognition of the Khmer Rouge at the UN.

S. Africa silent on gold moves

By Bernard Simon in Johannesburg

THE SOUTH African Reserve Bank, which is responsible for South Africa's bullion sales, was yesterday unwilling to confirm reports that the country may withhold up to 1m oz of newly-mined gold from the world market, but confirmed it was implementing a flexible sales policy. The reports began circulating last week.

It is no secret that Pretoria has been withholding some gold. In March, Mr. Owen Horwood, Minister of Finance, confirmed that South Africa's sturdy balance of payments had allowed it to adopt a more flexible marketing policy for its most important export.

As a result, the Reserve Bank has been able to hold back a portion of current output when the market is weak, although it insists it has no intention of manipulating the market. One senior bank official said recently that not a day has passed without at least some sales.

Sizeable quantities have, however, been withheld. Judging by monthly foreign reserves figures, the Reserve Bank's gold holdings have moved up from 9.6m oz last September to 11.3m oz at the end of May.

Some of the increase may be due to repurchases of gold pledged to Swiss banks under various "swap" arrangements in 1978 and 1979. These transactions involved some 8m oz of gold pledged to the banks in exchange for foreign currency. The South Africans have the right to repurchase the gold.

Predictions of future sales levels are impossible without a guide to the course of the gold market, and South Africa's balance of payments. "It's a flexible policy, you can't know in advance what you're going to do," a Reserve Bank spokesman commented. "We take all market forces into account."

Another uncertainty is the amount of "swap" gold which Pretoria decides to buy back from the Swiss banks. About half of the 8m oz pledged have been repurchased in the past year. Most has been resold into the open market with the result that South Africa last year sold considerably more gold than the 703 tonnes it produced.

Sales of "swap" gold have brought handsome profits to the

Treasury. To swaps were concluded at prices between \$100 and \$150 an ounce. The buy-back price reflects only interest charges and is therefore well below ruling market prices.

Mindful that prices can go down as well as up, the seven major mining houses have been examining ways of ensuring that their future earnings do not plummet low enough to put their operations in jeopardy.

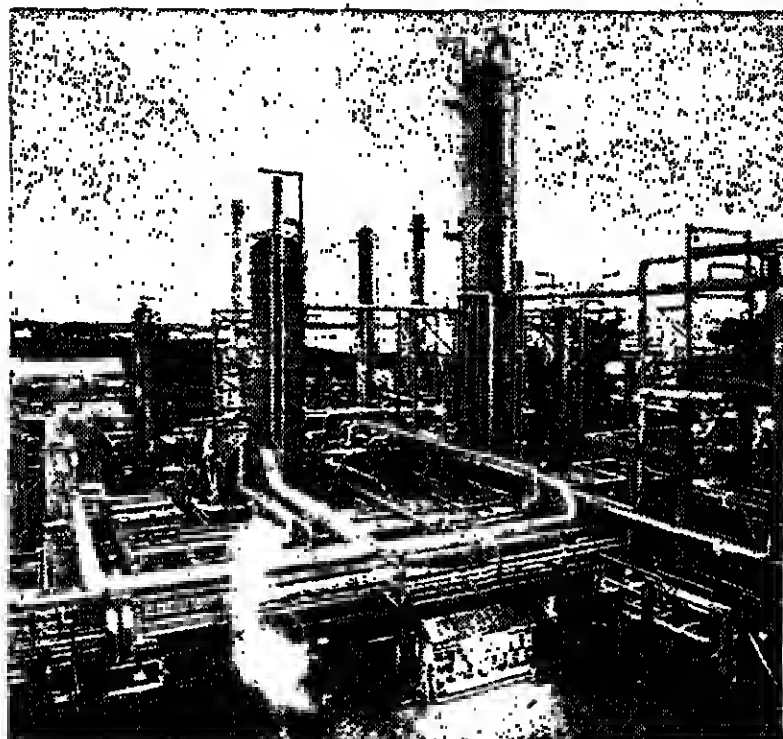
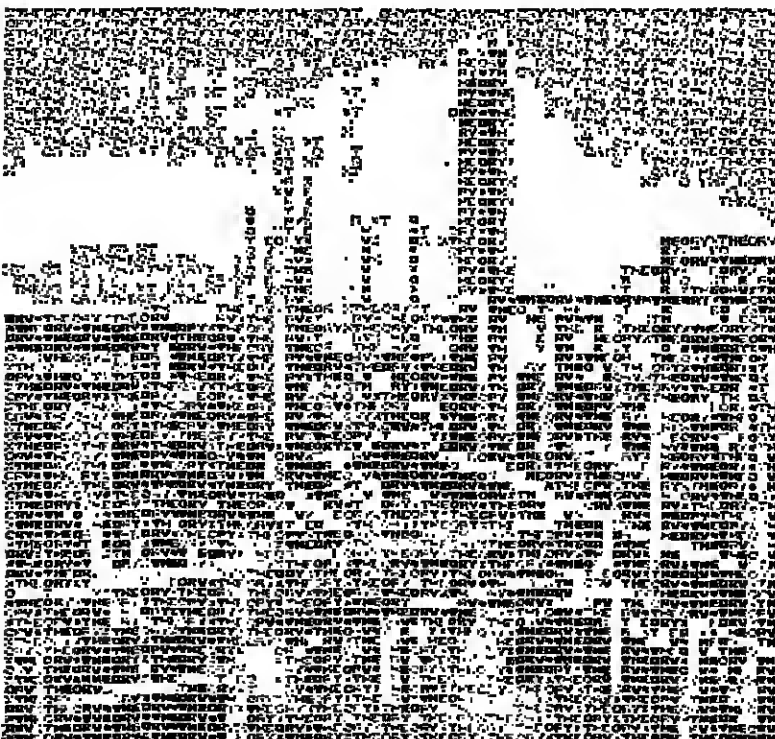
One way would be to sell at least a portion of their production forward on futures markets and the Reserve Bank has given the mines permission to do this.

But the mining houses are still not sure that hedging is the answer. "The mines are carefully considering various proposals, including the advantages and disadvantages of using futures markets," one mining industry official said this week.

Among the alternatives to hedging being considered are further "swap" arrangements, negotiated in such a way that the mines, rather than the Treasury, would be the main beneficiaries.

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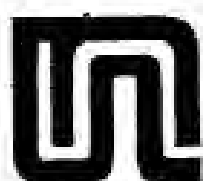
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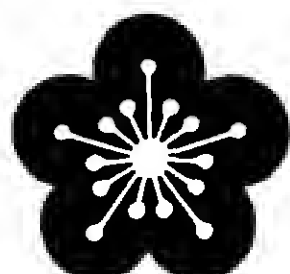
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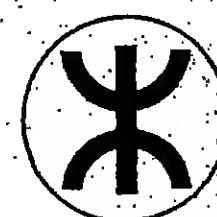
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April 1980

هكذا من الدول

CEGB may cut orders

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board warned its suppliers yesterday that it may have to cut its ordering programme for new power stations unless rising costs can be contained.

The warning, from Mr. Gyn England, CEGB chairman, reflects the Board's frustrations over its difficulties at the Isle of Grain power station site, and other large sites.

The threat could also apply to orders of plant for the ten-year nuclear power plant building programme on which work is due to begin in 1982.

Board officials insist that it would not affect the second Advanced Gas-cooled Reactor to be constructed at Heysham, Lancashire, for which plant orders will be made this year.

Mr. England, addressing a conference in Birmingham, said that the more expensive new plant because in real terms, "the longer we shall tend to defer the replacement of old plant, and the less new plant we shall tend to order."

As an example of how the Board's plant costs had shot up

since the late 1960s, he said the estimated real cost of building the second half of the Drax coal-fired power station, on which work started in 1978, was a third higher than that of the first part, 11 years previously.

Mr. England added that as new plant costs rose it became preferable to accept the higher maintenance costs of old plant rather than to invest in new.

Turning to labour troubles, of which the Isle of Grain site has been a notorious victim, he said that in recent years productivity by construction workers had fallen to about half of that in the mid-1960s.

However, thanks to better communications with trade unions, relatively few hours had been lost last year on construction projects. The second nuclear power station at Dungeness, Kent, was expected to start delivering power to the national grid early next year.

By cut costs, the Board had preferred to order replicas of proven plant. It had also developed new contracts providing contractors with stage payment tied to progress.

Warning on copying of sheet music

A WARNING that legal action would be taken over unauthorised photocopying of sheet music was given in the High Court yesterday.

The warning was given by the Music Publishers' Association, representing about 1,000 music publishing houses which publish and distribute the bulk of copyright music in the UK.

The MPA had sued Wolverhampton Corporation over about 15,000 photocopies of music, the great majority of which, the MPA alleged, were in breach of its copyright.

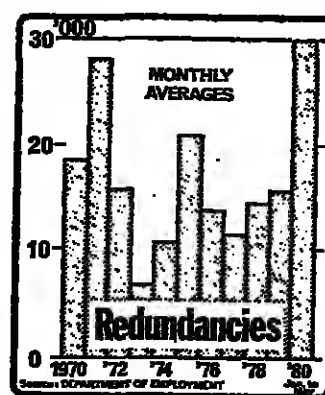
The corporation agreed to pay the MPA £1,300 damages and undertook not to infringe its copyright. It told the court that it had agreed to do so because of the expense that would have been involved in fighting the action.

Mr. John Wilmer, QC, for the MPA, said since the advent of the photocopying machine the Association had been concerned about protecting its rights, on which the living of composers, writers, and music arrangers depended.

Mr. Peter Prescott, for the corporation, said it was not surprising that teachers and students took advantage of photocopying services because of delays of up to six months in obtaining sheet music from MPA members were not uncommon.

Peter Riddell studies the growing tide of unemployment

Misleading aspects of the jobless figures



THE SHARP rise in unemployment announced yesterday may have caused a political explosion in the Commons, but the figures were only slightly worse than expected by most economists in view of the many other signs of recession.

Indeed, the figure which has grabbed the headlines—a 150,000 jump in total unemployment to a post-war record of 1.66m—is in many respects a misleading guide either to economic trends or to social distress.

For a start, the bulk of the rise can be explained by the appearance of large numbers of school-leavers on the labour market. The number without jobs rose by 137,500 to nearly 137,000 in the month to mid-June.

A large increase in the number of school-leavers registered as unemployed often occurs in the summer. This is partly because many companies do not start to recruit until the early autumn.

Consequently, school-leaver unemployment tends to reach a peak of more than 200,000 in mid-summer, and then to decline sharply in winter. For example, the peak total of 253,000 in July 1977, was reduced to 40,000 by the following March, partly because of the Government's special job measures.

There could also be a decline this year, although no doubt

that school-leavers' job prospects are much worse than ever before. The June school-leavers' figure is higher than in previous years, so it is likely that the hard core left by next winter may also be higher than in 1976 to 1978.

Most analysts deduct school-leavers from the total and also adjust for seasonal variations. This trend is scarcely more comforting than the unadjusted total. The 50,700 rise in the adult seasonally adjusted total in the month to mid-June was the biggest one-month rise since October, 1975.

The adult total has risen by 272,600, or 2.1 per cent, since the increase began last September. Moreover, the rate of growth has accelerated in recent months to about the monthly figures seen in the last recession in 1975. No one in Whitehall is prepared to guess when the rises will stop.

The unemployment total is often taken as a rough-and-ready indicator of the health of the economy, but, as the May Department of Employment Gazette points out, the figures need close examination.

It is necessary to adjust for the unemployment, the voluntarily unemployed or those not really interested in finding work, including some occupational pensioners (about 90,000 to 100,000) and those temporarily between jobs.

On the other hand, it is

month in the previous half-year. This is similar to the pattern in the last recession.

It has been reflected in a sharp rise in redundancies. The Employment Department estimates that between January and May this year notified redundancies averaged 30,000 a month, nearly double the monthly average for each of the last four years.

At the same time, companies have cut recruitment sharply. Notified vacancies have fallen for 12 months running to the lowest level since the end of 1976.

A further reflection is the sharp drop in labour turnover, particularly in manufacturing, where the rate of hirings per 100 workers has dropped to the lowest levels since statistics were first collected in 1948.

All this adds up to an unduly bleak picture. There are marked regional variations and there are, for example, still shortages of labour in parts of the country—in part reflecting distortions in the labour market.

The contrasts are brought by the fact that in London in mid-April unemployment was equivalent to 3.9 per cent of the workforce and less than seven in every 1,000 had been out of a job for more than a year. But in Liverpool the unemployment rate was 12.9 per cent and 48 per 1,000 had been without work for more than a year. At

the same date, vacancies notified to Department offices were equivalent to 1 per cent of the workforce in London, but only 0.3 per cent in Liverpool.

These figures can, however, give a misleading impression since they measure the position on a particular date rather than total activity. Official statistics which reveal flows on and off the register show that, even in the three months to May, an average of 384,000 people were leaving the unemployment register each month and nearly 300,000 new vacancies were being notified to the Department.

Shorts wins contract

SHORT BROTHERS, the Belfast-based aerospace and guided weapons manufacturer, has won a contract, believed to be worth £20m, from the Ministry of Defence to improve its Blowpipe close-range, ground to air missile.

It is part of a £30m order to Shorts announced by the Ministry in February.

The improved Blowpipe will be used to equip infantry units of the Territorial Army. It is a guided weapon fired from the shoulder and aimed by radio command through a monocular sight.

List of recognised banks updated

BY DAVID MARSH

FOUR IRANIAN banks operating in London have been granted full banking status under the terms of last year's Banking Act. The Bank of Credit and Commerce International, a Luxembourg-based bank with Middle East connections and 45 branches in the UK, has been ranked in the second tier category as a "licensed deposit-taker."

The Bank of England's updated list of recognised banks and "licensed deposit-takers" contains 53 names, 18 in the first category and 35 in the second.

These are additions to the initial list, classifying 368 institutions which appeared a month ago. Institutions are placed in the "licensed deposit-taker" rather than "recognised bank" category either when they are largely involved in consumer or instalment credit or when they lack a sufficiently wide range of banking services. There had been some speculation in the City that the four Iranian banks—Bank Mellat, Bank Melli Iran, Bank Saderat Iran and Bank Sepah—might not receive full banking status because of continuing political uncertainties in Iran.

Iran Overseas Investment Bank, the consortium bank, which concentrates on lending to Iran, and which is owned by Iranian banks and leading

western institutions, does not figure on either list. It is among the 130 institutions still waiting to be classified. The Bank has said it will bring out updating lists about once a month to settle the status of these remaining institutions.

RECOGNISED BANKS

American Express International Banking Corporation, Anglo-Romanian Bank, Atlantic International Bank, Banco do Estado de São Paulo, Bank Mellat, Bank Melli Iran, Bank Sadami Iran, Bank Sepah, Bayerische Landesbank, BNP Paribas, BNP Paribas (UK) Ltd, Gulf International Bank B.S.C., Havona International Bank, Page and Gwyther, Qatar National Bank S.A.Q., Saudi Gulf Bank, Royal Bank of Canada (London), Société Générale Bank, Toronto Dominion International Bank.

LICENSED DEPOSIT-TAKING INSTITUTIONS

Allied Irish Finance, Auban Finance, Bancamer, Bank of Credit and Commerce International, Thomas Barlow and Bro., Bayerische Hypotheken- und Wechselbank, Boston Trust and Savings, Business Mortgage Services, F.C. Finance, M. and F. Pouchetwanger, Ford Motor Credit, Gillespie Bros., The Hanul Bank, Harrods (Knightsbridge), H.F.C. Trust, Korea First Bank, London Scottish Finance Corporation, Marine Midland, Midland Bank Industrial Equity Holdings, Mortgage Management and Investments, National Commercial and Clydesdale, National Girobank, Northern Ireland Industrial Bank, Overseas Trust Bank, Punjab and Sind Bank, Rathbone Bros., Red Dragon Securities, R. A. Stewart Trust, Security Trust, Sterling Credit, Swiss Bank Corporation International, Swiss Venger, Wells Fargo.

McCormack to market Miss World competition

BY ARTHUR SANDLES

MISS WORLD, the international beauty contest bought by Mr. Eric Morley from Mecca (Grand Metropolitan), is to be marketed internationally by the Mark McCormack Organisation. The deal is aimed at substantially increasing Miss World revenues by a variety of merchandising exercises.

Mr. McCormack is a leading name in personality management and merchandising, and represents sporting stars like Bjorn Borg, Jackie Stewart, Virginia Wade and Gary Player.

The deal was done to maximise returns, thus helping to service and repay the substantial loans which had been necessary in order to buy the contest from Mecca, said Mr

Morley. Children's charities will continue to benefit from the contest, with £150,000 the 1980 target figure.

Almost certainly the deal will mean changes in the Miss World competition, giving it a much greater commercial emphasis. In theory, however, the McCormack organisation has no control over the contest itself, although it does now have a 25 per cent interest in Miss World (Marketing).

Thomas Television has the British Isles television rights for the next three years.

The earnings of Miss World herself may rise from the present expected £40,000 a year to nearer £50,000, said Mr Morley.

Old Master drawings set auction records

AUCTION records were established at Christie's yesterday for drawings by Rembrandt, Fragonard and Gainsborough. The 21 lots in the collection of Old Master paintings of Baron Paul Hatvany, a Hungarian who came to England just before the Second World War, sold for \$893,355.

The Rembrandt, Joseph recounting his dreams, dated about 1638, was bought by a private American buyer for \$190,000, plus the 12.5 per cent buyer's premium. A Venetian Capriccio by Guardi went to an English collector for \$22,000. Ward-Jackson, the London dealer, paid £28,000 for the Fragonard, a red chalk drawing of a girl with bellows.

Other high prices were \$165,000 from Agnew's for Saint Andrew and Gainsborough, the 21 lots in the collection of Old Master paintings of Baron Paul Hatvany, a Hungarian who came to England just before the Second World War, sold for \$893,355.

\$52,000 to Breslaner, a New York dealer. Dating from about 1520, it has 47 small pages and 94 half-page miniatures. It was signed by John of Pölling in Yorkshire.

The only known manuscript of the earliest English autobiography, The Book of Margery

SALEROOM

BY ANTHONY THORNCROFT

Kempe, written in East Anglia about 1440, sold for £50,000 to Quaritch. An Hours of the Virgin, produced in Flanders in the mid-15th century, realised £35,000.

The Duke of Hamilton sold some of his silver and furniture in a sale organised by Sotheby's in the grounds of Lennoxlove, his home in East Lothian. It raised £150,027, with top prices of £13,000 for a George IV silver gilt dressing set and £11,500 for a pair of triangular vegetable dishes and covers by Paul Storr of 1806, with the arms of the 10th Duke of Hamilton. Koopman bought both lots.

There's little doubt that the right computer system could help your business grow faster and more cost effectively than it's doing at present.

But, faced with the bewildering variety of computer systems on the market; the bright, enthusiastic salesmen; the incomprehensible jargon; the glossy brochures; the endless list of facts, figures, prices and promises, choosing the right computer system for your needs can be a real problem.

And a problem you'd be right to feel apprehensive about.

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*Please send literature.

UK NEWS

More given onshore oil probe permits

BY SUE CAMERON

THE GOVERNMENT yesterday granted 18 onshore oil exploration licences covering areas as far apart as Yorkshire and the Isle of Wight.

This is one of the largest onshore licensing rounds yet and reflects the way higher prices and supply shortages have boosted exploration interest.

The 18 licences have been given to consortia led by five companies—the Canadian-based Candeca Resources, the UK-based RTZ, the U.S.-based Quintana, the U.S.-based Amoco and the UK-based Gas and Oil Acreage.

Last year UK oil production from onshore wells amounted to 120,000 tonnes of crude. This compares with the 85m tonnes a year from the UK sector of the North Sea at present.

The highest onshore oilfield yet to be discovered in the UK is at Wytch Farm in Dorset, where British Gas is the operator. It is already producing at the rate of 4,000 barrels a day from a reservoir with estimated recoverable reserves of 30m barrels.

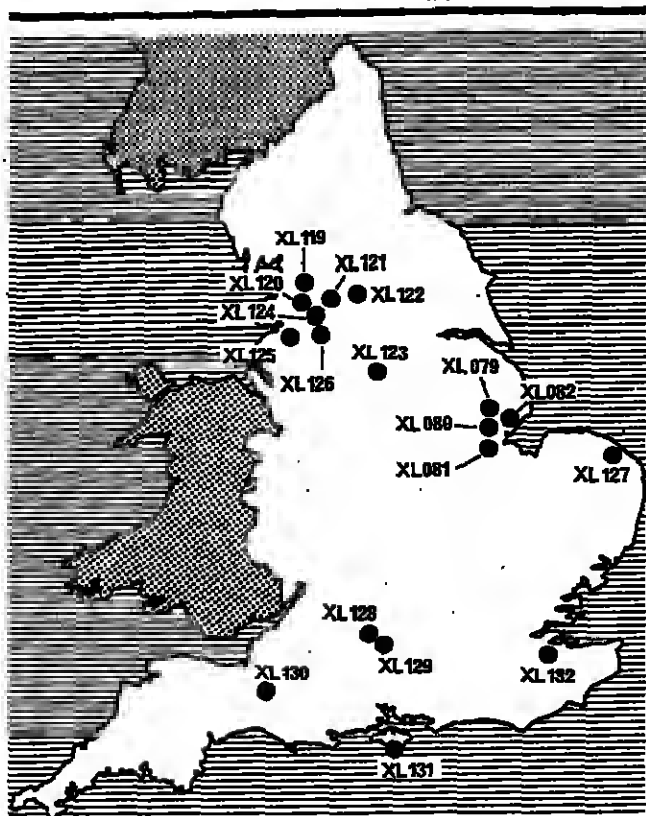
A second and deeper reservoir in the field is thought to contain reserves of up to 60m barrels. This would put the Wytch Farm field in the same class as some smaller North Sea fields.

The 18 licences issued allow their holders to carry out seismic surveys and drill to 350 metres to obtain geological information. But they do not give the companies the right to drill for or produce oil and gas.

There are 102 onshore exploration licences in force in the UK—including the 18 announced yesterday. There are 30 onshore production licences in force.

Candeca Resources and Great Basins Oil and Gas have been

ON-SHORE EXPLORATION LICENCES



given four licences covering 1,597 square kilometres in Lancashire, RTZ Oil and Gas has been awarded five licences in Lancashire, North Yorkshire, West Yorkshire, South Yorkshire and Derbyshire, covering 2,146 square kilometres plus a further two licences in Wiltshire, Berkshire and Hampshire, covering 587 square kilometres. Amoco UK Petroleum has three licences covering 1,385 square kilometres in Lancashire,

Greater Manchester, Merseyside and West Yorkshire. Quintana Anglia and Fulsetbro have one licence covering 488 square kilometres in Norfolk. Gas and Oil Acreage has three licences covering 615 square kilometres in Somerset, the Isle of Wight and Kent. The cost of carrying out preliminary surveys, seismic surveys and geological appraisal on a single onshore block can be up to £1m.

BP in £5m oil recovery project

BY RAY DAFTER, ENERGY EDITOR

BRITISH PETROLEUM is spending £5m on new oil production techniques at its tiny Egmanton Field in Nottinghamshire.

The project, part of an industry drive to recover a higher proportion of fuel from the world's oil fields, is scheduled to last at least five years. One of the techniques being tested is the injection of carbon dioxide or nitrogen into the Egmanton Field. The gases mix with the oil and allow it to flow more freely.

After a 12-month experiment with this method BP's operational research group has already produced the UK's first oil by enhanced recovery means. The company said yesterday the success of the experiment warranted a bigger project, starting next year, to try and recover 10 per cent of the 400,000 barrels of crude oil

known to be still available in Egmanton.

BP hoped the Common Market would help to fund the East Midlands project. It saw the need for "considerably greater" investment when the advanced recovery methods were tried in bigger fields in the North Sea.

At present only one-third of the oil in commercial fields is brought to the surface. An average two-thirds is trapped in the tiny rock pores of the reservoirs. The enhanced recovery techniques could significantly improve this performance. In some cases the technology could be applied to win oil unobtainable by normal production methods.

The need to apply new production techniques is demonstrated in a BP briefing paper, which shows world reserves of crude oil could fall more than

a quarter by the end of the century.

BP says in the paper world oil consumption is exceeding the rate at which new reserves are being added.

Between 1980 and the end of the century discoveries might add 250bn barrels to world proved reserves, which now stand at about 650bn barrels. Improved recovery techniques and reappraisal of old reserves could add 50bn-100bn barrels.

But at present consumption rates the world's oil industry is depleting these reserves at 23bn barrels a year.

BP says oil price increases have stimulated the rapid development of other energy sources and improved efficiency of energy use, which could help relieve the pressure on supplies during the next two decades.

Estimating World Oil Reserves, BP Briefing Paper, June, 1980.

Chemical sales fall by as much 40%

SALES OF basic chemicals in the UK have fallen by as much as 40 per cent in the last few months, major British producers said yesterday, writes Sue Cameron.

They said demand for plastics such as polystyrene and polyvinyl chloride (PVC) had fallen sharply throughout Europe. UK chemical companies were suffering more than many Continental competitors because of the strength of sterling and its impact on exports.

The big UK petrochemical producers—companies such as

Shell Chemicals UK, Imperial Chemical Industries and BP Chemicals—fear some of their customers are in danger of going bankrupt. One major group said there was "no doubt at all that some of our customers are starting to have problems."

The petrochemical majors are feeling the effects of de-stocking by their customers, but they hope this problem will right itself in the autumn. But if their customers go out of business the long-term impact is far more serious.

"Once the customer base is eroded, the whole of the UK chemical industry starts to suffer—and not just in the short term," one petrochemical major said.

"You cannot get back business from a customer that has gone bankrupt."

Some of the major German chemical companies are giving credit. They can afford to do so because it costs them only 10.5 per cent. But in the UK, where credit costs 18 per cent and upwards, we simply can't do that."

Air UK confident Dutch will accept Amsterdam flights

BY GARETH GRIFFITHS

AIR UK, Britain's newest airline, has been given a route licence by the Civil Aviation Authority to operate services between Stansted and Amsterdam, subject to the approval of the Dutch Government.

The airline is confident the approval will be forthcoming. Air UK, formed at the start of the year, believes the new twice-daily service will attract an additional 35,000 passengers and generate an additional £1.2m revenue in the first year.

Air UK is unlikely however to start cutting prices of London to Amsterdam fares. It has said it does not favour a move to lower passenger fares, although each route would be judged on its merits. The airline has concentrated on domestic flights and regional airports. It serves 22 British airports.

The main significance of the CAA decision rests on the fact that Stansted has been designated London's third international airport. The allocation of licences holds out future advantages for route applications by airlines. The CAA said it considered that no airline was better placed than Air UK to develop services from Stansted.

Mr. Peter Villa, the com-

pany's managing director, said yesterday the year had proved to be a difficult one. Demand for domestic air travel was static or even declining and costs were rising, almost daily.

Air UK was formed in January when British Island Airways, Air Anglia, BIA/Air West and Air Wales all merged. The airline is part of the British and Commonwealth Shipping Group.

The merger has cost British and Commonwealth Shipping £4m in losses. The airline's policy has been to expand the number of its routes and to increase revenue.

In April, Air UK took over six loss-making British Airways domestic routes. The company's aim at the time of its launch was to carry more than 1.7m passengers in its first year with a target revenue of over £55m.

Air UK already operates a series of scheduled flights to Amsterdam from Norwich. CAA has also given Air UK a route licence to fly from Gatwick to Billund and Aarhus in Jutland. It is not yet clear what the attitude of the Danish authorities will be, although Air UK has said it would like to fly daily.

Aeonics ends trading after fall in demand

BY ANDREW FISHER

A SLUMP in demand coupled with heavy new factory and computer costs has led Aeonics, a small order company in house-hold textiles, to stop trading and call a voluntary meeting of creditors.

The company, set up in 1968 and familiar through nationwide newspaper and colour magazine advertisements, said yesterday payments for goods by the public would be fully covered by bank guarantees.

There should, therefore, be no need to call on the mail order protection scheme run by the Newspaper Publishers' Association to which companies, advertising agencies, and publications themselves contribute.

Mr. Paul Aikin, the managing director, who owns the private company with Mr. Robert Burns, the finance director, said Aeonics had spoken with potential buyers of its assets, but nothing had been achieved. Ironically, the company was named from the Greek word "aeon", meaning a vast length of time.

He said the company owed less than £500,000 to its trade

creditors. Since January it had cut overheads by about £400,000, with staff reduced by 50 to about 150. In the year to June 30, turnover was around £7m, he said, compared with £34m in 1978-79, when net profits were £150,000.

"Two years ago when we were booming, we invested in a computer and a large factory premises," said Mr. Aikin. Now that trading had fallen sharply, Aeonics had been making a loss for some months—it had proved impossible to slim down, he said.

Aeonics paid £90,000 for the computer installation, and about £100,000 for the new factory in Mitcham, Surrey, as well as incurring further costs of about £100,000 over the move.

Mr. Burns said the company had ceased trading and he was yesterday refunding customers about £20,000 for goods which could not be sent off.

Because Aeonics has met its orders promptly, only a few hundred are actually outstanding, Mr. Aikin said. It was up to the creditors to decide if a liquidator should be appointed.

Britain still second in net invisible trade

BY DAVID MARSH

THE UK remains the second largest net earner from invisible trade transactions, according to the Committee on Invisible Exports.

In 1978, the latest year for which the committee has compiled statistics, Britain's net earnings from invisibles were £26bn special drawing rights (£3.54bn), up from SDR 4.89bn in 1977.

Only the U.S. topped this, with net earnings of SDR 20.49bn, up from SDR 17.69bn.

Invisible earnings comprise receipts from transport, travel,

investment income and services such as banking and insurance. Invisible receipts of the 102 countries covered by International Monetary Fund statistics rose by 16.4 per cent in 1978, compared with a 9.4 per cent rise for world trade as a whole.

Britain's growth in invisibles receipts, was just above 13 per cent, lower than the world average.

France overtook Switzerland and Italy to take third place in the overall ranking of net earnings. It displaced Britain as second in the list of gross invisible receipts.

First-class post 'has improved'

By Hazel Duffy, Industrial Correspondent

THERE HAS been a significant improvement in the quality of the first-class letter service in the past few months, says the Post Office.

From a low point in June 1979, when only 72.3 per cent of first-class letters were being delivered the following day, the figure averaged 81.9 per cent in the first quarter of this year and has since risen to 86.6 per cent.

The Post Office has appointed more postmen and implemented a plan to improve reliability.

The backlog of letters last summer, when the Post Office was confronted with internal and external problems, averaged about 40m a day. This has been reduced to a daily average of about 1m. The Post Office wants to achieve next-day delivery of 90 per cent of first class letters.

The London postal service, criticised in a Monopolies Commission report in the spring, shared in the improvement in the first three months of this year. In inner London, 81.7 per cent of first class letters were delivered the following day, and in outer London 76.3 per cent.

Eric Short on insurance prospects

Little relief to the gloom

THE UK insurance industry is in the doldrums. Its share of the world insurance market is static, if not in decline, and its future prospects are not much brighter. The only optimistic feature is the rapid growth in investment income arising from the high short-term interest rates available.

Last year's underwriting loss of £215.7m for UK insurance companies was nearly 10 times as great as the previous year's £27m. Much deterioration came from bad luck.

The insurance industry exists to pay claims and expects some years to be worse than others. In particular, winter on both sides of the Atlantic was exceptionally bad in 1979.

In the UK, the industry suffered from the worst winter for nearly two decades. In the first months of last year the insurance companies paid out £25m more than expected on motor claims and this was one of the main reasons that UK motor underwriting losses more than doubled from £21.5m to £57.5m.

But the bigger blow to profitability came from the UK fire and accident account, in which household insurance was a major problem.

Bad weather claims at the start and end of 1979 cost £65m, a further £20m was paid out

on sub-let claims. There was a 22 per cent increase in theft claims from private homes costing nearly £50m.

Insurance companies are suffering both from the rise in the number of thefts and the growing incidence of arson. This is now the chief cause of fires in commercial properties.

Mr. Geoffrey Bowler, chief general manager of the Sun Alliance Group and the outgoing chairman of the British Insurance Association, says the most serious problem facing the industry was inflation and the continuing strength of sterling.

Higher interest rates last year meant that the investment income of insurance companies advanced by nearly 20 per cent to £980m. But this growth failed to offset the decline in underwriting.

So, the overall surplus was nearly 4 per cent down at £764m. While this figure looks adequate, insurance companies with an expanding premium income need matching expanding profits in order to maintain their solvency.

Inflation raises both administration expenses and the cost of future claims, especially for long tail liability business. Premiums do not increase as quickly because they are paid in advance. The insurance com-

panies can only lift premium rates for future business.

Sterling's strength is holding back growth in overseas insurance business. Premium income in sterling terms fell slightly in the U.S. and the rest of the world, whereas in local currency terms it grew by between 8 and 10 per cent.

These two factors, coupled with fierce competition, resulted in U.S. business moving from profit in 1978 to a £19.3m loss last year, and business in the rest of the world showing losses more than doubled from £35.5m to £83.5m.

The outlook for 1980 is brighter for the UK insurance industry in that the losses are expected to be lower than last year. But inflation is expected to affect the results adversely.

In the UK, motor premiums could well rise by as much as 30 per cent yet substantial losses are expected arising from escalating claim costs. The industry has been lifting house insurance premiums substantially but it will be surprised if the household account breaks even.

The picture in the U.S. is gloomier. Higher losses are expected this year and the insurance industry moves further into the down turn of the trading cycle.

AA gives warning on premiums

BY JOHN GRIFFITHS

MOTOR insurance premiums will rise even faster unless the vehicle repair trade can be regulated, the Automobile Association warns today.

It gives the warning in the latest issue of its magazine, Drive, after an investigation into repair costs.

This found "inconsistencies, incompetence and irregularities."

Drive took a crash-damaged car, inspected by Motor Insurance Repairs Research Centre experts, to 20 body repair specialists in southern England.

£276, plus parts to a £2,225 write off. The research centre's quote was £800. Every job, parts and labour description differed. No repairer proposed using modern money-saving techniques or pointed out suspension made dangerous by the crash.

One repairer said many used second-hand panels but charged for new ones, and work charged for was not often done.

Twelve repairers were Vehicle Builders and Repairers Association members, bound by a code of practice. Their proposed labour charges varied by 100

per cent. Among the nine members of the Motor Agents Association, also with a code of practice, the estimates ranged from £400 to £899.

The agents' association said: "Estimating skill is not of a high order."

The magazine calls for "urgent positive action" and urges insurers to insist that at least three estimates are obtained, only insurer-approved repairers are used, and garages must provide proof that specified new parts have been used.

Government rejects amendments to local authority grant plan

BY ROBIN PAULEY

THE GOVERNMENT has refused to accept any changes to the proposed new financial arrangements for rate support grant to local authorities, although councils have been asked repeatedly to submit amendments.

Mr. Tom King, Local Government Minister, asked local authorities to submit amendments to the plans for a block grant scheme in the Local Government Planning and Land Bill, expected to begin its report stage in the Commons at the beginning of next month.

Every amendment to the financial clauses was rejected during the committee stage of the Bill. All the local authority associations were united in their opposition to block grant. Mr. King asked them to submit more amendments which would not undermine the principles of block grant, but would build in safeguards to alleviate anxiety about possible abuses.

These too have all been rejected.

The local authorities are continuing to compile amendments, with increasing cynicism, but the last major push against the Bill will probably be made in the Lords rather than in the Commons at Report stage.

Mr. Geoffrey Rippon, a former Treasury Minister, who opposes the Bill, has tabled an early day motion in the Commons in support of the local authorities' alternative financial proposals, but it has attracted too little support from his own side of the House.

An added complication is that another Tory MP, Mr. Tony Marlow, has tabled an amendment deleting the local authority alternative plan, saying that "the House should assert its belief in local government freedom only where it is reasonably exercised."

The local authority associations sent their most recent amendments to Mr. King on

May 8. They received a reply, dated June 20, with an apology for the delay. But the letter also says that because of time pressure before Report stage, all comments on it must be back to the Government by tomorrow lunchtime.

The latest amendments were very technical and largely concerned with the arithmetical applications and formulae involved in calculating and administering the new grant scheme.

Of seven amendments proposed, the Government agreed to accept only one, which was non-financial but concerned with terminology. It will drop the terms "standard expenditure" and "rate poundage" and agree that the use of such terms might encourage low-spending authorities to increase their spending to the Government's proposed "standard" benchmark figure in the new block grant scheme.

Workers lose battle against mill closure

BY RAY PERMAN, SCOTTISH CORRESPONDENT

UNIONS HAVE given up the fight to prevent the closure of the Wiggins Teape pulp mill at Fort William and have agreed redundancy terms for the 450 workers who will lose their jobs. The mill will shut in November.

Wiggins Teape could not say yesterday how much redundancy payments would cost, but the terms went well beyond statutory requirements and the company's normal severance policy.

Older workers will be given

the option of early retirement with a pension. Others will get payments which recognise the difficulty of finding alternative work in the Fort William area, where unemployment is among the highest in Scotland.

Wiggins Teape announced the closure of the mill last month after abandoning a scheme to rescue it by forming a joint venture with Consolidated Bathurst of Canada.

Unions and MPs have failed to persuade the Government to intervene to prevent the closure.

New role for Hussey at Times

MR. DUKE HUSSEY, the chief executive of Times Newspapers, is to give up day-to-day management of the newspaper group, it was announced yesterday. In a major reorganisation he will become vice-chairman of a new holding company, and a new Times Newspapers board will take on management of the papers.

The new managing director is to be the present general manager, Mr. Dugal Nisbet Smith, and the chairman, Mr. James Evans, will become the joint deputy managing director of Thomson British Holdings.

Mr. Hussey was chief executive of Times Newspapers throughout the recent confrontation with the print unions during which the papers were off the streets for almost a year.

He added, "after 14 years as a Fleet Street managing director," Mr. Hussey needs a rest from the intolerable pressures of day-to-day management. The company could now enjoy the benefit of Mr. Hussey's experience without involving him in the strains of executive management.

A statement said the board of Times Newspapers would "protect the independence and the long-term future of the newspapers and agree on a broad strategy." The reorganisation would "give greater thrust to the paper's development."

Sainsbury lifts market share to 12.4 per cent

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE SAINSBURY supermarket chain yesterday announced that it had secured its largest share of the packaged grocery market. Mr. Roy Griffiths, Sainsbury's managing director, told a meeting of London retail analysts that the company's market share—according to Audits of Great Britain—was now 12.4 per cent.

This is Sainsbury's highest recorded market share and is some 50 per cent up on three years ago, before the company launched its "Discount" price cuts.

Sainsbury's market share, however, is still some way behind Tesco, which has about 14.5 per cent of the market, and the co-operative retail societies which together total about 17 per cent.

The figures showed that Sainsbury is the only leading multiple grocer to consistently increase market share month on month, over the past four months.

The company's rising market share follows the sharp upsurge in profits in the past financial year. Pre-tax profits were up by 41 per cent to £46m, on sales up by more than a fifth to £1,227m.

Mr. Griffiths said the retail analysts should not make the mistake of thinking that increased competition was necessarily bad for all food retailers. "All that intense competition does is to accelerate the competitive process, with some companies doing better faster and some companies doing worse faster."

John Elliott on Industry Bill implications
A more limited role for the NEB

WHEN THE Industry Bill receives its expected Royal Assent tomorrow, several of the main planks of the Government's industrial policy will come officially into force, confirming changes announced since Sir Keith Joseph became Industry Secretary after last year's general election.

These changes include the National Enterprise Board being given a more limited and circumscribed role, in line with the Government's primary opposition to state intervention in industry.

Responsibility for Rolls-Royce will be formally passed from the board to the Industry Department, which has been exercising responsibility informally for some months. Its borrowing limits will be debited in the Commons at the time of the formal handover.

But the question of whether BL should also be passed back to the Industry Department, in line with the NEB's wishes, has yet to be resolved. A decision may not be made for some time.

Another part of the legislation deals with one aspect of the Government's interest in mixing public and private sector activities.

The State-owned English Industrial Estates Corporation is being authorised to mount joint ventures with commercial institutions. In readiness for this, it has negotiated developments of small factories with the Legal and General, Barclays Bank and the NCB pension fund.

The main impact of the legislation, however, is on the NEB, whose basic functions are changed by amendments to Labour's main Industry Act of 1975 and to a 1979 Act which extended the board's financial limits just before the general election.

Detailed guidelines and new financial limits are being negotiated between the Industry Department and the NEB to put these legislative changes on a day-to-day footing.

The primary change is contained in the Bill's first clause which deletes the 1975 Act's requirement for the board to be responsible for extending public ownership into profitable areas of manufacturing industry.

Instead it says the NEB should be "promoting the private ownership of interests in industrial undertakings and other

property held by the board or any of its subsidiaries."

Linked with powers of Ministerial direction still contained in the 1975 Act, this means that Sir Keith can direct the NEB to sell any of its companies or, as in the case of Rolls-Royce, can take them over himself. He can also dictate the timing and terms of any sale, including, for example in the case of Ferranti, whether there should be one or several new owners.

The NEB is now, however, being run by people broadly sympathetic to the Government's policies, following the shake up last November which replaced the board headed by Sir Leslie Murphy with a new group under the chairmanship of Sir Arthur Knight.

This means that a direction is unlikely to be needed unless the board wants to protect itself for some reason and asks for a Ministerial direction on a specific issue.

The Bill also changes public dividend capital requirements, allowing Sir Keith to tell the NEB to hand over proceeds of its asset sales to the Treasury. This confirms the Government's policy of State assets sales which has so far led to the disposal of the NEB's stake in ICL, the proposed sale of Fairway, and the present debate about Ferranti.

Another asset often tipped

for early sale is the NEB's stake in Brown Boveri Kent, and other early candidates might include United Medical Enterprises. But many of the NEB's other 60 holdings outside the high technology field (in which it is now to specialise) are not sufficiently profitable to be offered for sale quickly.

The transfer of Rolls-Royce, and perhaps BL, along with the expected sale of the other companies, removes about 95 per cent of the nominal value of the NEB's stockholdings.

Its statutory borrowing limit will accordingly come down from £3bn to £750m if BL is taken over by the Industry Department—a massive reduction on the £4.5bn ceiling envisaged by the last Government.

In line with its general aim of curbing the NEB's entrepreneurial activities, the legislation also reduces the size of investments the NEB can make without Ministerial approval from £10m to £5m.

Finally it repeals provisions concerning planning agreements, disclosure of information, and industrial democracy contained in Labour's 1975 Act, so fulfilling the Government's wish to remove every vestige of the legacy left from the time when Mr. Anthony Wedgwood Benn was Secretary of State for Industry.

Union leader hints at new social contract

BY PHILIP BASSETT, LABOUR STAFF

THE PROSPECT of a new social contract between the trade unions and a future Labour Government was held out yesterday by Mr. Ken Baker, a senior TUC general council member, and president of the Confederation of Shipbuilding and Engineering Unions, which represents about 2.5m workers.

Mr. Baker's intimation that a renewed compact with Labour on pay and employment legislation would be welcome to the unions will be received gladly by Mr. James Callaghan, Labour Party leader.

The unions' rejection of the final 5 per cent round of the last Labour Government's pay policy proved to be a major contribution to the Party's electoral defeat. But Mr. Callaghan has already clearly indicated that, if re-elected, he would seek a new and lengthy agreement with the unions on pay.

Mr. Baker, in his presidential address to the confederation's annual conference in Llandudno,

said the last social contract "was a bid for sanity and co-operation in our affairs." The unions could today welcome a similar agreement.

Mr. Baker pointed to the Conservatives' manifesto commitment to re-introduce "many of those contentious aspects of the original Industrial Relations Act." They were being included in the Employment Bill, soon to become law.

He stressed that in the last union compact with Labour, legislation had been repealed. New laws had been made to give unions rights and opportunities which previously had been out of their reach.

The moderation of Mr. Baker's views might not sit easily with some of the more militant unions in the confederation like the Transport and General Workers, which firmly rejected pay policy in the "winter of discontent" in 1978-79.

But his guarded welcome to the idea of a new compact is a

sign of some readiness in the TUC, at least in the moderate camp, to reach a new agreement on pay.

Mr. Baker's offer was heightened by an attack on present Government policies, particularly on the fact that the Conservatives had all but openly said consultation with the unions at Government level must end.

"As trade unionists, we give due notice that it is not the end of anything for us. It is only the beginning, and we do not intend to be snatched like naughty children and told that mother knows best what is good for us," he said.

"We know best what is good for us. We know best how to go about achieving what is good for us. And we do not intend to allow a Tory politician, temporarily in office, male or female, wet or dry, taking away from us those rights we have so dearly won."

The unions do not see any confrontation, he said. But if there was an attempt to prevent them from maintaining or improving their members' living standards, "then we have the means to show that today's organised workers will not step one foot back from the goal they have set for themselves."

Miners to continue boycott of Coal Board pit reviews

BY ROBIN REEVES, WELSH CORRESPONDENT

THE SOUTH WALES miners' union executive decided unanimously yesterday to maintain its boycott of the National Coal Board's joint pit review procedure, until the threat of closure was lifted from Tynawr Lewis Merthyr Colliery in the Rhodda Valley.

The union's decision coincided with an enthusiastic welcome from British miners' leaders and the NCB for the view of the Venice summit meeting of seven leading Western nations that coal production should be doubled in order to reduce dependence on oil.

Senior officials of the National Union of Mineworkers went on to echo the warning from Wales that closure of any pit where workable seams remained would be strongly resisted.

They also argued that the Venice agreement was further justification for top pay rates and conditions for miners. The NUM conference in two weeks is expected to agree to a pay demand of £100 a week minimum for the industry—an increase of about 35 per cent.

Sir Derek Ezra, the Coal Board chairman, said he was

"delighted" by the Venice agreement, but warned of "short-term problems" despite the good long-term prospects.

The NCB announced last month that it planned to close the South Wales pit because of heavy losses and the lack of scope for productivity improvements.

The union leaders brushed aside a peace formula instituted by Mr. Joe Gormley, the NUM President, which provides for two mining engineers—representing the union and NCB—respectively—to investigate the pit. The two engineers began their examination yesterday.

Mr. Des Duffield, the South-West Miners' vice-president, said a technical reappraisal of the colliery was not going to prove anything. There was no dispute that ample coal reserves still existed in the mine.

The closure threat had arisen because the colliery's output of high quality coking coal—until recently supplied to the steel industry—was being diverted to cheaper markets, resulting in a 20 per cent drop in returns.

The NCB has earmarked 12 loss-making South Wales collieries for special review under established procedures.

Observer print talks stall

BY JOHN LLOYD, LABOUR CORRESPONDENT

NEGOTIATIONS ON new technology at the Observer newspaper have stalled on the issue of payment to print craftsmen for producing extra pages.

The two sides appear close to settlement on most matters, but the threat of closure still looms. The Observer's owner, Atlantic Richfield, the U.S. oil company, has continued to press a deadline of July 1 for reaching a final agreement.

Without that, the company has said it will divest itself of the paper.

Mr. George Jerrom, the National Graphical Association's national officer who is conducting the negotiations for the 100 NGA members at the Observer, said yesterday: "The last thing we want to do is to close the paper down."

But "outright refusal" by management in accede to the

union's claim on extra pages would mean the NGA would need to review its position.

The central point of the dispute is about payment for producing papers larger than 48 pages. The Observer has offered a flat £3.25 to the NGA machine managers for each set of eight pages above 48. The union is claiming an extra hour's payment, about £7.

The basic rate for Saturday night's 19-hour shift, already agreed, is £92, among the highest in Fleet Street.

The Observer sent negotiators to meet union officials attending the union's biennial delegate conference at Blackpool, over the weekend. They were unable to reach agreement.

At Blackpool, the NGA conference voted for a motion to scrap the examination system for its full-time officials. It was

condemned as undemocratic. Candidates will now succeed to the job without taking tests on the union's rules and general knowledge of the Labour movement.

It rejected a motion calling for re-election of officials every five years. At present, officials hold office for life.

Mr. Joe Wade, general secretary, defected this system, saying officials could not serve both the national council, as now, and the membership.

The conference voted for a motion seeking to prohibit officials from canvassing votes for election. Candidates may only publish a 400-word statement on the ballot paper.

Journalists working for IPC magazines issued a statement yesterday, calling for the removal of senior managers involved in the pay dispute.

Union urges ban on import of 245-T

BY OUR LABOUR STAFF

A BAN on the import of 245-T weedkiller was demanded yesterday by the Association of Scientific, Technical and Managerial Staffs.

Mr. Clive Jenkins, ASTMS general secretary, said that tens of tons of the toxic substance were coming into the UK mainly from West Germany, although the chemical was no longer manufactured here.

He was introducing a report by the union, which seeks to re-open inquiries into an explosion in 1968 at Coalite Chemicals' plant in Bolsover, North Derbyshire, in which a number of workers were exposed to the chemical.

The Employment Medical Advisory Service, an arm of the Health and Safety Executive, was accused yesterday of miss-

ing the opportunity for a thorough study of the chemical's effects. It said "no overt disease was evident," although workers suffered "certain biochemical changes."

Mr. Jenkins said every gardener should look in his shed and check whether he was using 245-T weedkiller. Shopkeepers should also be alerted to the dangers.

Post Office to refuse engineers' claim

BY NICK GARNETT, LABOUR STAFF

POST OFFICE engineers, who have already set an August deadline for the start of industrial action over pay, were told yesterday that their wage claim was "grossly extravagant" and would not be met.

On the eve of further pay negotiations with the Post Office Engineering Union, Mr. Peter Benton, managing director of British Telecom, has sent a letter to all telecommunications staff in engineering and technical grades expressing dismay at the 37 per cent claim fixed at the union's annual conference earlier this month.

The union, representing 120,000 members covered by the claim, due for settlement on July 1, is working in conjunction with the Society of Post Office Executives, with 30,000 members.

The conference accepted an executive recommendation to begin industrial action from August 4 if there was no settlement, but, in defiance of the executive, hoisted the claim from 27 per cent to 37 per cent. The current offer is worth 17 per cent including 2 per cent

for productivity. Mr. Bryan Stanley, general secretary of the engineers' union, said yesterday that the Post Office board would have to improve the offer significantly if a negotiated settlement is to be achieved.

He has advised his members to send Mr. Benton's letter back.

In the letter, Mr. Benton says: "We have already put our prices up this year—by an amount equal to about 17 per cent on the average telephone bill.

"We will make further increases when justified but we cannot conceivably raise charges by an amount sufficient to support a grossly extravagant pay claim such as that voted by the POEU conference. If we tried to, we would infuriate our customers and many jobs would be at risk."

Mr. Benton also said British Telecom could not reduce its expenditure on new equipment. It had to spend more to remain competitive.

The Post Office was willing to continue talks on the earlier basis to seek a "realistic settlement," Mr. Benton added.

TUC nominee accepted

By Pauline Clark, Labour Staff

A HOME OFFICE decision to finally accept the appointment of a new TUC nominee who is a communist to the Equal Opportunities Commission was hailed yesterday as "an important victory for the trade union movement."

Miss Terry Marsland, a long standing member of the TUC's Women's Advisory Committee, was spending yesterday following the Home Office's decision to withdraw its earlier veto on her appointment to the EOC.

On the first day of her return to work from holiday as deputy general secretary of the Tobacco Workers' Union, Miss Marsland claimed there were indications that political considerations had played a part when the Home Office first refused to approve her nomination by the TUC.

This was the first time, she said, that a TUC nomination to such a post had been openly challenged by a government minister. If the Home Office had won it would have had "serious implications" for the trade union movement.

TUC nominations to other committees might have been vetted in a similar way in the future.

The Home Office would neither confirm nor deny that there were political or social considerations in the first decision by Mr. William Whitelaw, Home Secretary, not to approve the TUC's nominee for the EOC post left vacant by Mrs. Ethel Chipchase, also a member of the TUC Women's Advisory Committee, who has retired.

The change of heart followed a series of communications between Mr. Len Murray, general secretary of the TUC, and Mr. Whitelaw's office including a personal interview.

New bid to save golfball factory

A FINAL effort to save the Dunlop golfball factory at Speke, Liverpool, due to close on July 25 with the loss of 230 jobs, has been launched by officials of the two unions involved, the Transport and General Workers and the ASTMS.

They intend, with the support of the Merseyside MPs, to ask the Government to consider a tariff on imported golfballs, possibly of 60 per cent.

Nalgo backs retention of road units

By Our Labour Staff

THE GOVERNMENT has been accused of breaking faith with unions in asking private contractors to take over motorway and trunk road work in Warwickshire.

The National and Local Government Officers Association made the accusation when announcing approval for plans which could lead to road engineers refusing to co-operate with the transfer of motorway supervision to private contractors.

Nalgo said its members would be hauled on whether they should co-operate in handing over expertise and information on work undertaken.

The union said it was told by the Ministry of Transport that it would be fully consulted over the next three months on Government plans to phase out Road Transport Units and sub-units.

Nalgo was preparing a detailed argument in favour of retaining the units.

13% offer to NHS engineers rejected

By Pauline Clark, Labour Staff

UNION negotiators for area and district works engineers with key jobs in the hospital service rejected a 13 per cent pay offer yesterday.

But consultation among union branches will precede a final decision on whether the 3,500 engineers will join other health staff in a possible pay battle with the Government.

The offer would raise a hospital engineer or builder's maximum pay to £6,981 and that of a senior works officer in a large teaching area to £18,603.

About 17 employees at the National and Local Government Officers' Association's head office walked out yesterday because an air conditioning system failed. They said they would return to work this morning, but how long they stayed would depend on the temperature.

Union post

Mr. Jimmy Hardman, 46, has been elected assistant general secretary of the 325,000-strong Union of Construction, Allied Trades and Technicians. An executive member, he is regarded as a moderate.

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UK NEWS - PARLIAMENT and POLITICS

SKINNER ORDERED FROM THE CHAMBER: PM PURSUED ON UNEMPLOYMENT

A day of uproar and accusations

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MRS. THATCHER must have wished herself back in Venice yesterday amidst the glamour and adulation of the seven nation summit.

Half an hour before she was due to report back to MPs on the outcome of this prestigious event, all hell broke loose in the Commons.

Unfortunately for the Prime Minister, her return coincided with the release of figures showing a total of 1.6m unemployed, the worst situation since the 1930s, according to Mr. James Callaghan, leader of the Opposition.

Determined to make the most of this, Labour MPs temporarily forgot their own internal differences and began to savage Mr. James Prior, the Employment Secretary.

The row came to a head with Left-winger Mr. Dennis Skinner, sometimes jokingly referred to as The Best of

Bolover, being ordered from the Chamber, by Mr. George Thomas, the Speaker, when he refused to stop interrupting Mr. Prior.

The Employment Secretary needed Mr. Skinner by suggesting that he had remained silent over unemployment when the Labour Government was in power.

Angry denying this, Mr. Skinner pointed an accusing finger at Mr. Prior and dubbed him "Minister for Unemployment."

Amidst general uproar, Mr. Skinner ignored the Speaker's appeals and warnings that he might be ordered from the Chamber.

"What for? What have I done?" he asked innocently. Reluctantly, the Speaker ordered Lt-Col. P. F. Thorne, the Sergeant at Arms, to accompany the MP from the Chamber.

As the Sergeant, in full knee breeches and silk stock-

ings and wearing the traditional sword approached, Mr. Skinner waved him aside dismissively and stalked out.

The Speaker's ruling, which happens very rarely, means that Mr. Skinner is suspended with pay for one day.

With that, employment question time temporarily quietened down with Mr. Prior insisting that the Government's message was the same to everyone—high wage settlements would lead to high unemployment.

"If wage negotiators fail to reach agreement on moderate settlements this year, the country will have to endure unacceptable levels of unemployment," he warned.

His arguments did not seem to cut much ice with Left-wingers. Mr. Eric Heffer (Lab., Liverpool Walton) would not be budged from his belief that high unemployment was an inherent feature of the capitalist system.

The Prime Minister's entrance was rather spoiled by Mr. Jim Lester, Under Secretary for Employment, who, answering a question about factories, referred to the creation of 540 new "Thatchers"—a slip of the tongue which provoked further glee on the Labour benches.

An Opposition chorus demanding her resignation greeted her at the despatch box and throughout question time, and a hour-long drifting on the summit, she was doggedly pursued over the unemployment situation.

Just to stir things up even more, Mr. Bob Cryer (Lab., Keighley) accused Sir Frederic Bennett (Con., Torbay) of "hiding his pockets with deals with the Russians." He said he based his accusation on the fact that Sir Frederic is a director of

Kleinwort Benson which had entered into a deal with Mosow-Narodny Bank.

Leftly Sir Frederic replied that had the accusation come from anyone else, he would have demanded a withdrawal. But he regarded Mr. Cryer with such contempt that he would not waste the time of the House.

Wearily the Speaker observed that there seemed to be "equality of accusations and members returned to their bickering."

Meanwhile, outside the House, Mr. Skinner was basking in the full glare of publicity. Alamy he announced he was returning to "the sanity of the North" but would be back at Westminster today.

No doubt many of those who remained in the Chamber wished they could join him.

'Toe the line'—Thatcher reminds Cabinet doubters

BY IVOR OWEN

CABINET WAVERERS who doubt the effectiveness of the Government's economic policy were given a sharp public reminder by the Prime Minister in the Commons yesterday of the need to toe the collective line.

If came when she replied to a fierce Opposition onslaught, mounted in the wake of the announcement that the June count showed that the total number out of work in the UK had climbed to 1,639,876, against the rising level of unemployment.

Mrs. Thatcher, who admitted that the position will be looking even grimmer when summer school leavers swell the total, argued that rising unemployment was the short-term price which had to be paid as the action went through "a period of determined tough policies to squeeze inflation out of the system."

Then, in an unmistakable reference to the doubters on her own Front Bench, she declared: "I believe these policies will work but they must be given time to work and total support."

Mr. James Callaghan, the Opposition leader, won repeated cheers from the Labour benches as he relentlessly pursued the Prime Minister over the growth in unemployment.

Challenging her insistence on the need to give top priority to the conquering of inflation, he stressed that the numbers out of work had reached the highest level since the 1930s.

"How much industry will be left by the time you have conquered inflation?" he demanded.

The Prime Minister recalled that the words she had used in explaining the priority being accorded to squeezing inflation out of the system were modelled on those spoken by Mr. Callaghan during the period when the last Labour Government advocated a similar approach to solving Britain's economic problems.

To Tory cheers she asserted: "You must be ready to take decisions under the aegis of the IMF—we are ready to take harsh and difficult decisions to prevent the IMF coming in."

As Labour backbenchers called on the Prime Minister to resign, Mr. Callaghan reminded the House that the policies of the Labour Government had brought the annual rate of inflation down to 8 per cent.

Not only had the present Government been responsible for inflation returning to 22 per cent, but in its first year of office unemployment had increased by 350,000—whereas under Labour

the numbers out of work had gone down steadily from 1977 for two full years.

Mr. Callaghan accused the Government of complacency and of "throwing away" the improvements achieved by Labour policies.

"You must change your policy," he told the Prime Minister. Mrs. Thatcher retorted that Mr. Callaghan was relying on selective statistics. She recalled that inflation under the Labour Government reached 26.9 per cent while unemployment had gone up from 550,000 to 1.6m.

Unless inflation was squeezed out of the economy there would be even higher unemployment in the future, she warned.

Pressed by Mr. Callaghan to give some indication of the timescale needed for Government policies to achieve their intended result, Mrs. Thatcher again underlined the importance of wage restraint.

"If wage claims are kept more in relation to increases in output, there will be less unemployment and inflation will fall more quickly," she said.

Replying to questions from the Tory backbenchers, the Prime Minister reaffirmed the Government's commitment to ultimately finding a replacement for the present domestic rating system.

Summit proposals 'a recipe for recession'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A FRESH seven-nation summit meeting in six months time was called for in the Commons yesterday by Mr. James Callaghan, the Opposition leader.

He said that the weekend summit which Mrs. Thatcher had attended in Venice was a "tragically missed opportunity" and had not been properly prepared.

He thought that the proposals contained in the final communiqué from Venice had just been a "recipe for recession and slump."

Mr. Callaghan wanted the Prime Minister to suggest that the Heads of the seven nations should now get their personal representatives working for a summit in six months time.

They should also at policies

"that will deal with inflation in ways that will not increase unemployment." They should ensure also that they have a proper approach to the OPEC countries.

"Twelve months is too long to wait for another summit," he declared.

But the Prime Minister, who was making a statement in the House on the outcome of Venice, rejected the notion. Sharply she said that Mr. Callaghan seemed to believe that he was right and that the other six Heads of nations were wrong.

Mrs. Thatcher emphasised her reservations about the Soviet announcement of some troop withdrawals from Afghanistan. She recalled that the Russians had pulled some troops out of

East Berlin in a highly publicised operation shortly before the invasion of Afghanistan.

"We have every reason to be sceptical about the present proposed withdrawal and reserve judgment whether it means anything or whether it was a ploy just because we were sitting in Venice," she said.

Mr. Callaghan asked whether the summit meeting had considered the possibility that Russia was meeting greater difficulty than was anticipated in the occupation of Afghanistan.

There was a possibility that the Soviet Union might mean what is said and was looking for a way out.

On the economic recommendations of the summit he said that priority to reducing infla-

tion could not be accepted without having regard to the unemployment situation.

He suggested that if the Prime Minister really wanted to reduce inflation, then she reduce VAT.

Also, she could ask the gas industry to revoke its recent price increase.

The summit had stressed the necessity of transferring resources to investment. But at the moment, he said, the level of investment in the UK was declining month by month.

Mr. Callaghan welcomed the communiqué's concentration on the use of coal but he wanted to know how the Government intended to match words with deeds.

Mr. Callaghan referred to the summit's emphasis on the need

for Governments to have a dialogue with their "social partners" which he took to mean the trade unions.

He hoped Mrs. Thatcher would follow this up by ceasing her "weekly venomous attacks" on the British trade unions.

In reply, Mrs. Thatcher reaffirmed that the control of inflation was the Government's top priority.

Nevertheless, she rejected the idea of a cut in VAT. This would only put up the need to borrow at a time when Government was already too high.

She said that Britain was the biggest coal user at the summit and that two thirds of our electricity came from coal. The passage about increasing the use of coal was particularly aimed at the U.S. and Canada.

Lawson defends new plan

BY IVOR OWEN

ADDITIONAL RELIEF from capital gains tax provided in the Finance Bill for traded options will help the stock exchange to meet competition from Amsterdam and other centres, Mr. Nigel Lawson, Financial Secretary to the Treasury, stressed last night.

He defended the new arrangement in the face of strong criticism from Mr. Dennis Davies, chief Opposition spokesman in the Commons. Standing Committee which is considering the Bill.

Mr. Lawson explained that in future a traded option would not be treated as a wasting asset, thus enabling the full acquisition cost to be allowable in computing the gain or loss which arose on disposal.

The change applies to options abandoned or otherwise disposed of after April 5, 1980. Mr. Davies argued that the change was a direct result of pressure exerted by the City and that there was no real justification for it.

The clause, embodying the new arrangement, was approved by 177 votes to 13.

Richard Evans on the Glasgow Central by-election

A likely win for Labour

GLASGOW CENTRAL, which goes to the polls in a by-election tomorrow, is a constituency that confirms all the outsiders' prejudices about the city.

Demolition appears to be the only thriving industry and it has left masses of derelict sites and decaying tenements. Cannibals, armed with the latest electoral roll find not just that they can't check down the odd voter, but their entire streets have disappeared.

Here, the bulldozer and the bonfire are king as efforts are made to rejuvenate what is perhaps the most socially deprived inner city area in Britain.

On the face of it, it's a walk-over for Labour and that is almost certainly what will happen.

In the May local elections, two of the four wards which make up the constituency returned Labour councillors backed by 90 per cent of the vote.

It is second nature to vote Labour and breaking this habit is the forlorn task of the Conservatives, the Scottish Nationalists, and four fringe candidates.

The seat, the smallest in Britain, with an electorate officially put at 19,000 but now probably nearer 16,000, is Labour's fourth safest.

It will almost certainly disappear under Boundary Commission recommendations before the next election and Mr. Bob McTaggart, Labour's candidate, seems destined for a brief Westminster career. He was agent at the last election to Mr. Tom McMillan, the veteran MP whose death caused the by-election.

Mr. McTaggart lives in the constituency, works as a pipeline planner at Govan Shipbuilders, and knows the area's manifold problems intimately, but he is unlikely to shine on the national stage. He is straightforward, non-ideological and left of centre.

Labour, anxious to boost morale with a resounding win, has been anything but complacent. An impressive list of stars has been drafted in including Mr. Denis Healey, Mr. Anthony Wedgwood Benn and Mr. Roy Hattersley. The tactic has been to encourage working-class antipathy to Mrs. Thatcher and her policies.

But to succeed, they need a good turnout to register both support for Labour and the strongest disapproval for the Tories. There is little sign of this happening and the percentage of the tiny electorate that hitherto to vote could be depressingly small.

In contrast, the Conservative candidate, Mrs. Anna McCurley, highlights the 30 years of neglect of inner Glasgow by successfully etching Labour groups.

She has tried in what has been a low key campaign to concentrate on local issues of unemployment—over 20 per cent or twice the Scottish average—housing, and regeneration. It is hardly the pace to peddle Mrs. Thatcher's national economic policies.

She is probably the ablest and certainly the most personable of the candidates and deserves a better chance next time. A 37-year-old regional councillor and lecturer, she fought impressively at West Stirlingshire at the general election but she could come a poor third in Glasgow because of the undoubted unpopularity of Government policies.

The result is possibly more important for the Nationalists than for any of the other candidates as it is the first by-election in Scotland since the general election when the SNP were humiliated by the loss of nine of their 11 MPs.

They are desperately looking for signs of a revival. Their candidate, Mr. Gil Paterson, is a local paint firm owner and former regional councillor. He is running a colourful and active campaign reminiscent of the heavy days of the Nationalist revival in the early 70's but the constituency does not provide fertile soil.

The SNP trailed a poor third at the general election with 11 per cent of the votes against the Tories' 16 per cent.

His best hope is for a good second place rather than for a repeat of Margo MacDonald's sensational by-election win at neighbouring Govan in 1973 which still sends a chill through local Labour officials.

In a campaign that has scarcely begun a ripple in the city, the four fringe candidates have been virtually invisible.

The Scottish Liberals decided not to fight officially but Mr. Graham Watson, Young Liberals' vice-chairman and a local college administrator, is standing to gain experience.

Mr. John Mackenzie, a Renfrew factory manager, is standing for the National Front although the party has disowned him and he has not been seen locally.

Mr. David Mellor, the bearded keeper of Natural History at Paisley Museum, is the Ecology Party candidate.

Mr. Tony Kean, a barrister, is fighting for the recently formed Manchester-based Social Democratic party which has nothing to do with Mr. Roy Jenkins, Mr. Dick Taverne or any Right-wing Labour MP, but which hopes to benefit from a future Labour split.

There is little doubt who will win the by-election and such a foregone conclusion has taken some of the interest away from the quiet contest.

But the result will be awaited with interest firstly to see whether the Tories are relegated to third place, and possibly lose their deposit, and secondly whether there could be the first glimmer of a revival for the Nationalists at a time when all revenues are going up and public spending in Scotland is declining.

In addition, Labour can hardly claim a triumph if less than 50 per cent of the electorate bothers to vote when they have deliberately set out to marshall the anti-Thatcher forces.

Candidates: Robert McTaggart (Labour); Anna McCurley (Con); Gil Paterson (SNP).



Glasgow Central by-election candidates (top to bottom): Anna McCurley, Conservative; Bob McTaggart, Labour; Gil Paterson, SNP.

Paterson (SNP); Graham Watson (Young Libs); David Mellor (Ecology Party); John Mackenzie (National Front); Tony Kean (Social Democratic Party).

General election results: T. McMillan (Labour) 8,542; F. Saleem (Con) 1,937; S. Bird (SNP) 1,308. Labour majority 6,605.

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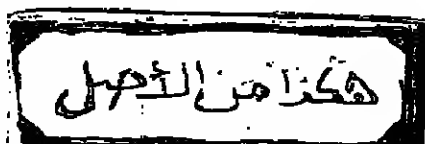
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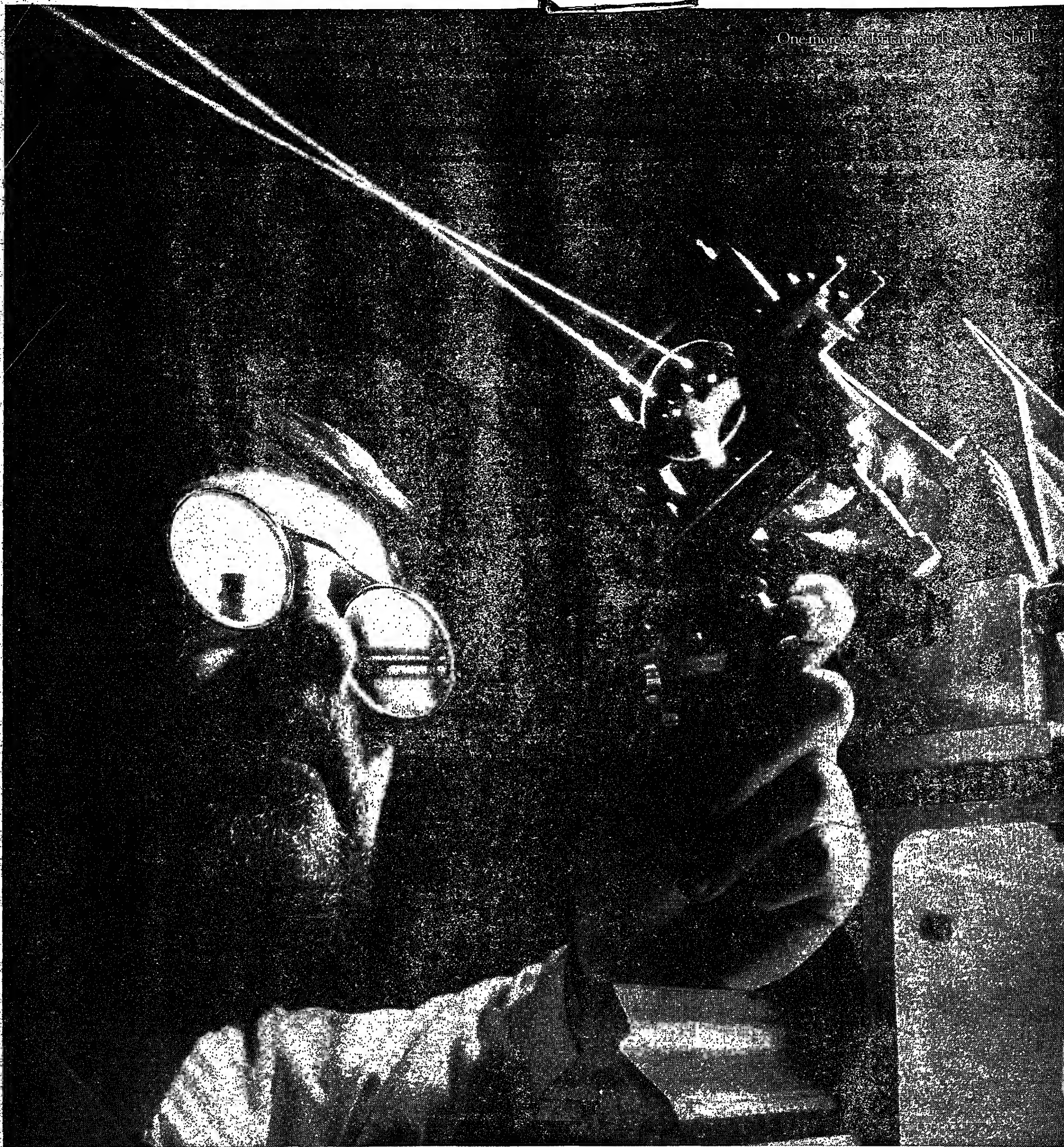
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out just what's going on inside while the engine's running.

Engineers have long known that the turbulence of the petrol mixture and gases swirling inside the cylinder has an important effect on performance – but the

difficulties of measuring the characteristics of a gas cloud which explodes about every 12 milliseconds, reaches 1500°C and is locked away inside thirty or forty pounds of metal, have proved insurmountable until now.

We are now able to drill holes in an engine cylinder, insert thick quartz windows and punch laser beams through the gas clouds as they mix and burn.

Using this technique we can work out the turbulence and the velocity of the gases.

Engineers and scientists can use this data to improve both the cylinder geometry and the chemistry of the fuels.

Since we estimate that this new information could help to bring about fuel economy improvements as great as twenty per cent, it is a development of some consequence.

If you think of the difference such a saving would mean to you, it's easy to see why we think this work is so important."



Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

METALWORKING

Brassfounders bare their teeth

THE UK brassware industry is under serious threat from imported merchandise, primarily Italian, which can often be as much as 30 per cent cheaper than home-produced products.

The men who make kitchen and bathroom taps and related fittings, brassfounders, say that this erosion of their domestic market is also having an effect on employment prospects in their industry.

In a booming market, UK home producers' sales have actually fallen while imports have risen by 188 per cent in, for example, bathroom and kitchen taps, and in the year 1989/90 something like 800 jobs will go to the wall.

There is nothing wrong with British brassware—indeed, it is as good as if not more superior to anything available in the international market place. It holds its own in design and fabrication, remains with or ahead of changing trends, yet cannot fight against a flood of Continental fittings whose share of the UK market may well result in the closure of plants at home.

Watchdog body—National Brassfoundry Association—says that it has evidence that British design improvements are followed and copied (but not anticipated) by foreign producers. Also, that there is a deliberate concentration by foreign rivals on UK markets, but many imports lag in performance behind their British counterparts.

More important, pricing policies appear to relate to the displacement of UK production rather than to commercially more normal criteria. The effect, says the NBA, will inevitably weaken and eventually destroy the technically competitive position of British producers.

At a meeting at the House of Commons this week, the brassfounders gathered to lobby MPs, air their grievances, and bemoan

the success of their Continental rivals.

Perhaps the NBA protesteth too much... there was no whisper of positive action from its members... more a cry for protection from the Government's Euro representatives.

It would seem that the British brassfounders haven't an inkling why their wares are being superseded by Continental cunning, nor are they able to name Italian, Portuguese and German sources from which UK merchants are receiving supplies.

Because it is most unlikely that the Italian government is subsidising its own brassware industry, there must be a more sinister explanation why the prime culprits—the Italians—are undercutting the UK market.

One MP (who held his hand over his name label) suggested to me that the Italians themselves are importing castings or materials—perhaps finished products—from countries outside the EEC. Yugoslavia and Romania in particular.

The past five years (during which 2,000 jobs have been lost) have pointed to the present disaster in UK producers' markets for bathroom and kitchen taps, shower fittings, radiator and other plumbing valves. Low price imports must be stopped if the industry is to survive. Against non-commercial pricing (however it may be supported) the UK industry is ultimately powerless.

The National Brassfoundry Association accepts the free trade objectives of the European Community but it questions whether they can be achieved by methods which distort markets, frustrate technical endeavour and destroy incentive. It also seeks a full and objective examination in the spirit of the Treaty of Rome of the situation now facing one of this country's oldest industries.

DEBORAH PICKERING

ENERGY

Buildings controlled

MICROPOWER 2000 is the name of the latest development from Transmittion (a BICC company) in which it becomes possible to monitor and control the energy consumption of a number of buildings from a central point while basic day-to-day control remains vested in local equipment.

The central station is linked over telephone lines to microprocessor-based outstations in each building under control and these supervise normal timed switching actions, optimised start and stop of heating according to indoor and outdoor temperatures, sequencing of boilers and so on.

However, if faults occur or parameters go out of tolerance, the outstation will automatically dial up the central station which will print out a message, allowing an operator to take suitable action. The outstations can also report on a regular basis (daily or weekly) on energy usage in the buildings, transferring the data to a mainframe computer if required for further analysis.

From the central point it is also possible to re-program the outstations, adjust set points and alter switching times over the phone line.

An option is also available which will enable authorised personnel at the remote sites to key in data for central station print-out, in addition to that normally sent.

The company believes that Micropower 2000 will be valuable both to multi-building operators and to building services bureaux wanting to offer energy management. Even where modern controls are already installed in buildings, Transmittion feels that greater savings can be made by central control. For example, in the event of a fuel shortage, the central station could drop the temperature of all the controlled buildings. A drop from say 68 to 66 deg.F with a 48 deg.F outside temperature would result in a saving of about 10 per cent in fuel says the company.

Other benefits include immediate notification of breakdown, better planned maintenance, prevention of unauthorised adjustments, and if needed, centralised fire and security facilities.

The company says it already has three orders in hand for county councils for control of schools.

More from Energy Division, Transmittion, Smisby Road, Ashby de la Zouch, Leics. (05304 5941).

PROCESSING

Powder route to super steel

THIS AUTUMN, ASEA will build a plant at the steel mill of Surahammars Bruks AB for the production of billets and semi-finished products of alloy steels for subsequent hot forming.

Production will be based on a new powder metal (PM) process, the "stamp" process, where the raw material is formed by gas atomisation into powder, which is then consolidated into homogeneous material. Both the gas atomisation and the consolidating are new techniques that have been developed by ASEA in co-operation with Surahammars Bruks AB, an ASEA Group company.

Compared with conventional

ingot moulding, PM steel is free from segregations and considerably more homogeneous. In addition less material is consumed in the production of billets. The improved economy of the new process will make it profitable to produce high- and medium-alloy steels such as heat-resistant steels, stainless steels and tool steels.

In the early 1970s ASEA developed together with Stora Kopparbergs Söderfors Works (now Uddeholm Tooling) the ASEA-STORA Process for producing high-strength high-speed steels (ASP steels) by means of gas atomisation and isostatic pressing in ASEA's Quintus presses. More recently ASEA has supplied to Uddeholm Nyby

AB a gas atomisation and press plant for the production of stainless steel tubes from powder.

The Stamp Process is a result of continued development work. Steel powder has been successfully produced according to this process in a full-scale experimental plant at ASEA, Västerås. This powder has been subsequently pressed and further processed at Surahammars, where billets of very high quality have been obtained.

Both ASEA and Surahammars consider that Stamp will be of great importance and that this new process will have a considerable potential for the steel industry in general.

ASEA, Farnum House, 48 Leicester Square, London WC2H 7EZ 01-930 8411.

PERIPHERALS

Display is highly legible

IN AN alpha-numeric display panel from Cherry Electrical Products, Coldharbour Lane, Harpenden, Herts AL5 4UN (05287 63100), each of the characters can be formed by up to 14-bar segments instead of the usual seven, giving half inch high very legible characters that can be read easily at 25 feet (7.6 metres).

Available in 16 and 20 character forms, the panels are ASCII compatible and need no initialising routines; they can be connected to most equipment, whether it is computer controlled or not.

The displays, called Plasmax, are self-contained, complete with all microprocessor-controlled circuits such as drivers, memories, buffered input/output, serial interface character generator and DC supply. They are completely addressable with 16 ASCII codes and these control 16 built-in display codes by software.

There are various line-writing modes and horizontal scrolling, five levels of brightness capable of adjustment by ASCII control, and a cursor facility. The 20 character model is about 12.4 inches long overall.

MATERIALS

Nails made of nylon will match

NYLON NAILS for use in furniture making, caravan and boat building, and other industries are being marketed by Forpak of Romsey, Hampshire. (0784 515522).

The nails which are available in several sizes and colours, are claimed to be as tough as ordinary nails yet only half their weight. They can be used in place of conventional brads and, of course, they cannot rust.

Available in white, buff, red, blue and black, they are virtually invisible when used with some materials. Their non-corroding qualities makes them useful in the manufacture of outdoor furniture and for fixing plywood skins to boat hulls. As they are non-magnetic the nails can also be used in the assembly of electronic equipment.

The nails are available in strips of 60 in 10, 12, 15, 20 and 22 mm sizes and are devised for loading into a hand-held nailing tool which drives each one into the work piece as quickly as the tool can be located and fired.

Forpak is also marketing a lightweight, pneumatic hand tool for firing staples in the upholstery trade. It can work on half the normal factory compressed air line pressure—40 instead of 80 psi.

TEXTILES

Feeds the yarn without jerks

OVER THE past two decades the speeds in weaving textiles has been rising to levels that, a few years ago, would have been considered to be astronomical. This has been made possible mainly because of the rapid development of shuttleless systems that no longer require a flying shuttle in which a tiny package of yarn is carried to and fro across the fabric width.

But with these increases have come other problems, one of which is the comparatively simple one of taking yarn from a large supply package mounted beside the loom and feeding it to the weft carrier which may be a tiny projectile, a rapier or even a fluid jet.

As the weaving process is intermittent the need for a weft supply is also intermittent and it has to be withdrawn in sudden surges so that as it is dragged over the end of the supply package the yarn generates a balloon. In so doing the drag of the surrounding air varies the tensions on the yarn and can lead to uneven fabric production.

A number of different systems of feeding weft yarn have been developed and are now being fitted to high-speed weaving machines. Newest development

in this area is the TMT 80 by Technomatex.

Switzerland (British agent: Devogé and Co., Manor Road, Droydsden, Manchester M35 6PG. Tel. 061 970 1247).

Effectively it is a compact special AC motor which operates with constant torque. The unit constantly withdraws yarn from the supply package and winds it round a tiny capstan from which it can then be released into the loom as and when required and with a minimum of tension. It has been designed to handle the finest filament synthetic yarns through to very coarse-spun yarns at

winding speeds from 50 to more than 1,200 m/min. If the yarn being used for weft changes the direction of twist from say "S" to "Z" then, merely by throwing a switch the direction of the unit is reversed.

The TMT 80 can be used on all types of shuttleless looms from one to eight colour weft selection and it may be provided with a simple waxing device if the yarn needs this treatment.

Already three British weavers are running the weft feeder units on looms in their commercial plants where evaluations are being made.

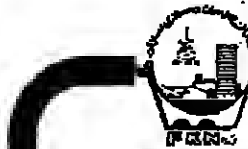
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International consultant firms or local firms in association with foreign consultant firms having wide experience in drawing master-plan for similar kind of

project and who are interested are requested to submit their proposals.

Further details on the terms of reference and other information of the proposed Sports Complex are available from the office of:

Deputy General Manager (Technical) (Technical Division),
Selangor State Development Corporation,
Persiaran Barat, Off Jalan Barat,
Petaling Jaya,
MALAYSIA.

The closing date for obtaining terms of reference and other information is 7th July, 1990.

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Scottish Development Agency

هكذا من الذهب

Wednesday June 25 1980

هكزا من الخمر

FOUNDRIES

The cutbacks in industrial production, particularly in car manufacture, have forced the foundry industry to contract, but bold investment in new plant and techniques is putting shrewd companies in the best position to meet a future upturn. Demands from specialist customers for higher levels of accuracy are resulting in wider uses for castings.

Reform to beat the gloom

By Roy Hodson

BRITISH FOUNDRYMEN are showing considerable resilience in the face of industrial recession; the contraction of many of their traditional markets, and the Government's evident determination that the industry must work out its own salvation without any more state help.

Foundries are continuing to go out of business in Britain at a rate of roughly one each week, with the iron foundries and the steel foundries the two sectors worst affected. The total number of people employed in ironfounding fell last year by about 5,000 to 72,000.

But investment is continuing in the industry. The companies most determined to stay in the business are securing their futures by investing in new facilities and new techniques. They believe that they are better prepared than ever before to meet future upturns in demand.

The industry is now settling into a pattern of rationalisation and reform that will result in a smaller volume of castings business in the 1980s and 1990s—perhaps only about 75 per cent of recent levels—and handled

by a much smaller number of companies and foundry installations than at present.

In some areas of the industry which are developing novel techniques, expansion is continuing at a rapid pace even as many other foundries are contracting because of declining industrial demand.

Mr. E. Green-Spikesley, secretary of the British Investment Casters' Technical Association, estimates that his 30 British member companies are currently handling about £100m of business annually and that the investment casting method is "entering a period of rapid growth."

The success of that sophisticated casting system lies in rising demand from the aerospace industry, the electronics industry, and other users of high-value components for castings that are made to much higher levels of accuracy and finish than has been traditional in the foundry industry.

In other sectors of the industry companies are successfully diversifying into new techniques and new markets. They are investing their way out of trouble in a number of cases.

But the foundry industry suffers from one essential weakness. As its primary role is to supply components for other makers of finished products its fortunes are largely governed by performance in other industries.

Thus the foundries in Britain have followed inexorably the downward trend of industrial production as a whole. In consequence last year saw a drop in iron castings output for the sixth successive year.

In recent months the steel strike has had a disruptive effect on foundry activities and industrial performance generally. But the biggest single

difficulty for the foundries has been, and is, the crisis in British motor manufacture.

Increased imports of foreign cars raised their share of registrations in Britain to 56 per cent by early this year and the foundries have continued to lose key business from the automotive industry as home production has declined.

The overall picture last year for the foundries was a 13 per cent decline in production for British cars and a 6 per cent increase in production for commercial vehicles. Total demand for automobile castings by the British automotive industry was 900,000 tonnes compared with more than 1m tonnes a year on average in the early 1970s.

There is little cheer from other market sectors either. The combined engineering industries raised their output by 1 per cent last year but more recently the sector's demand for castings has been falling again.

Realistic

During the last five years a number of foundries have found assistance in the Government schemes (launched by the last Government) for helping both the ferrous and the non-ferrous sectors. The object of the schemes was to encourage foundries to take a much more realistic view of where their businesses ought to be developing, and the kind of capital investment they should be embarking upon to stay in production.

The schemes sought to promote new investment in suitable equipment, coupled with securing improved working conditions, and they also looked for the adoption of the most efficient working practices.

A criticism made of the schemes is that they have inevitably created new capacity in an

already over-large industry. But it is also true that they have encouraged valuable new investment in modern capacity to the tune of more than £300m at a time when large parts of the industry might otherwise have preferred liquidation to modernisation. The price to the country has not been high—£34m so far to the ferrous foundries in grants and £7m to the non-ferrous ones.

The foundry associations and the National Economic Development Council's foundries economic development committee have been much concerned during the last few months about the extent of restructuring that should take place in the industry in the next five years or so following the foundries' rundown of the 1970s and the application of the aid schemes.

The Council of Iron Foundry Associations has suggested that output of iron castings in Britain could fall from 2.7m tonnes in 1975 to 2.4m tonnes or less in 1985. The Steel Castings Research and Trade Association, for its part, believes that its hard-hit members could be producing between 150,000 and 190,000 tonnes of castings a year by 1982—a decline of almost one-quarter from the levels of the late 1970s. Indeed, of all the sectors of foundry activity in Britain, the steel foundries have been the most severely affected during the last three years.

There have been moves to press the Government for rationalisation schemes for the foundries which would provide financial assistance to cushion closures. But the Government believes that market forces are already producing a rapid rundown in capacity which makes intervention unnecessary.

Although the main non-ferrous

sectors of the British foundry industry—including aluminium, brass, and zinc—also have problems associated with levels of demand and changing market patterns, they are not so severely affected as the ferrous foundries. Considerable developments in aluminium castings production are forecast worldwide as the automobile industry turns to lighter materials for fuel economy.

The trend is not yet clearly discernible in Britain. But the aluminium producers are generally optimistic that they should win business from the ferrous foundries in the years ahead.

However, there was great relief in the aluminium foundry sector less than a year ago when BL decided not to go ahead with a new £25m aluminium foundry at Leeds to make its own engine castings. The aluminium foundries argued strongly that they have ample capacity available to meet the motor industry's demands without a custom-built new foundry.

Alternative

With an estimated fall in demand of the order of 20 per cent for aluminium castings in Britain over the last seven years, the aluminium foundries can handle a great deal more business than they are getting.

In a recent statement on the future for foundries in Britain, the "little Neddy" points out that the competition being faced from abroad is strong and varied. "It includes efficient foreign foundries, low cost foundries in the Far East, and alternative processes such as fabrication." The report also emphasises that imports of castings into Britain constitute a growing problem.

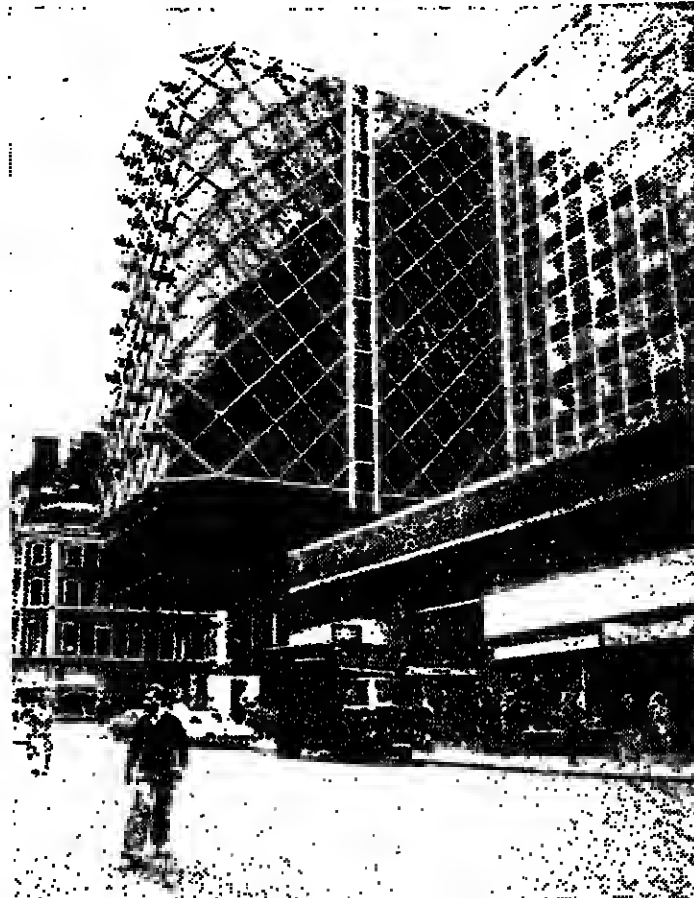
The committee appears to be reaching agreement on the

Government aid	
Sectors:	II
Aluminium	II
Brass	II
Iron	III
Steel	III
Training	IV
New technology	IV
Work conditions	IV

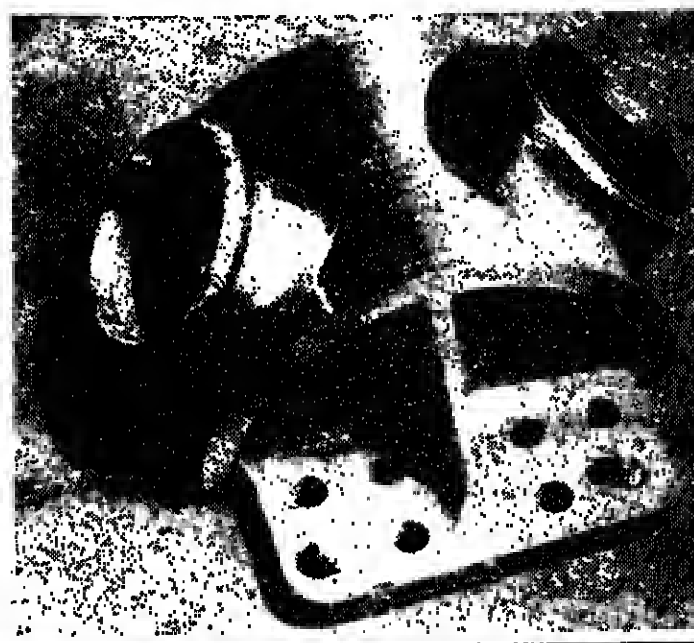
general strategy that must be adopted in Britain over the next five years to preserve a strong foundry sector. The impression is that the ideas of the 1970s, that assistance must be Government-backed to be effective, are being replaced by the view that self-help and strong discipline by both management and work forces will be the most effective form of medicine in the 1980s.

The small craft foundries that have suffered so badly during the past few years pose a special problem. The NEDC has recently reported on their difficulties and suggested a way ahead for them. The main conclusion is that the small craft iron foundry provides an essential local service to the engineering industry, particularly for "one-off" and prototype castings. Industry is urged to recognise that it must pay a premium for that sort of service.

The theme of the small craft foundries report is likely to be repeated when the problems of the main-stream foundries are publicly aired. If British industry wants to continue to be serviced by a strong foundry sector it will have to support its suppliers with adequate prices and a steady flow of orders.



Castings were used in an unusual way in the construction of Bush Lane House, in the City of London. The building "hangs" from a welded latticework of stainless steel tubes joined by nodes, also stainless steel castings (below), which each measure about 15 inches across



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FOUNDRIES II

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THE GOVERNMENT scheme for assisting the modernisation of ferrous foundries which was launched in 1975 comes to an end in August. The non-ferrous foundries scheme, which started in 1977, will end in March, 1981.

By the time both schemes are formally closed they will have generated new investment of more than £200m in the ferrous foundries and more than £100m in the non-ferrous foundries. Four-fifths of the money is coming from the foundries themselves, with the Government expected to contribute some £20m towards the non-ferrous schemes and about £40m towards the schemes for the ferrous foundries.

The background to the schemes goes back as far as 1973, when the NEDC took a wide-ranging look at the British foundry industry and was concerned at what it saw. The highly cyclical nature of the industry, coupled with a long period of overall decline, was recognised. The fact that the foundry industry is also to a large degree a prisoner of the remainder of manufacturing industry when it comes to setting sales levels was also taken into account. The two schemes were devised as a form of Government intervention to help put the foundries back on course.

In the event the decline in castings demand has been even

more serious than what was predicted by the worst forecasts of the mid-1970s. The schemes have had the effect of encouraging a certain amount of new capacity into being and so increased the competitive atmosphere for the industry as a whole, which was not the intention of either. But it was an inevitable outcome. It is almost impossible to spend money on foundry improvements without cutting out bottlenecks and increasing capacity.

The latest figures for the ferrous scheme show that 224 iron foundries have taken advantage of it, along with 33 steel foundries and 14 mixed production foundries. Some £34m has been paid out by the Government. It is expected that a further £8m or so will be paid as another 50 schemes are processed by the Department of Industry.

Appraisal

Potential Government assistance available amounted to £79m. But as the serious state of the foundry trade crisis became clear, a number of companies withdrew their plans to take advantage of the scheme. Even the prospect of a 20 per cent Government grant did not warrant the spending of new capital upon foundry capacity in the opinion of those firms. The appraisal of applications

under the non-ferrous foundry scheme is also complete. The 271 schemes that have been approved represent total capital investments of some £100m-plus involving potential assistance of more than £20m. So far payments of more than £7m have been made. The scheme is expected to cost the Government about £20m finally.

The very act of preparing cases for Department of Industry consideration under the schemes has enabled a great many foundries to come to conclusions about where they are heading. Following first applications appraisals have been made of all applications by officials and external consultants.

Many schemes were turned down and some foundries withdrew as the economic climate became harsher. But supporters of the schemes in Whitehall express their satisfaction at the way things have gone. They point out that, at the price of some new capacity appearing at an embarrassing moment in the British foundry industry, a £200m modernisation programme has been achieved which will give the industry a far firmer base for competition with foreign foundries from now on.

One certain result of the schemes is to reduce substantially the likelihood that a bottleneck in British Foundry production will hold up industrial recovery when the next

boom arrives. Shortfalls in castings production in the early 1970s first alerted the Government to the foundries problem, for they prevented industry from expanding as quickly as it wished.

Clearly some of the schemes now approved by the Government will be at risk during the next couple of years if the outlook for foundries remains bad. But it is likely that most of them will go ahead as planned.

Another useful feature of the schemes is that they have forced some big manufacturing companies to examine for the first time in their lives whether they really need to have their own "in-house" foundries, or whether they could be supplied from outside more cheaply without losing any efficiency.

The fact that one-third of the steel foundries have elected to take part in the Government scheme indicates that a hard core of that battered sector of the foundries business is determined to stay in the hunt. Some British steel foundries have benefited temporarily because environmental restraints in the United States have hampered steel foundry output there. But it is becoming increasingly apparent that the steel foundries in Britain which do intend to survive will have to sell on quality, and to move their trade up market towards products with high added-value.

EMPLOYEES: OUTPUT AND COSTS

	1974	1976	1978
Gross output per employee	6,925	10,999	12,161
Gross added value per employee	3,671	4,489	6,126
Average shop-floor worker's wage	2,110	2,995	3,961
Capital spending per employee	243	511	639

The latest national study of a section of the foundries industry is the recent report by the small craft foundries working party, NEDC to the Foundries Economic Development Committee.

The working party found that small craft foundries need special attention because their problems differ both from those of other small companies and those of the bigger repetition foundries. They suffer from extremely cyclical profitability, they have special environmental problems and they must invest large amounts relative to their turnover.

Added value

The main conclusion is that small craft foundries in Britain do provide an essential local service to the engineering industry, particularly for one-off and prototype castings.

The principal recommendations of the report on the small foundries include the following points:

- Foundries should concentrate on adding value to the castings they already sell. They should not rely upon selling a greater volume of castings in the future. To that end they should improve their costing procedures and their productivity, reduce their operating costs, and set realistic prices to reflect the premium that the skill-intensive craft castings should command.

The foundrymen are also recommended in the report to make sure that they are not over-dependent upon too few customers; to ensure that they have sufficient management cover for the present and the future; and to take a realistic view of their present profitability and future investment requirements to see whether they can afford to stay in business.

- Trade Associations are recommended to take a more active role in representing the small craft foundry sector to the outside world and to give priority to assessing the industry's support for co-ordinating the timing of price increases.

The report also suggests that the Government might introduce, via the Inland Revenue, a capital loan scheme and an extension of the carry-back of tax rebates in order to help small foundries overcome problems arising from their extreme fluctuations in profitability.

Finally, the working party on the small foundries recommends that customers' review their policy for purchasing craft castings. It is suggested customers should recognise that they must pay a premium for craft castings or face increasing difficulties in getting a prompt and reliable service.

Roy Hodson

Further slump in aluminium sector

THE DECLINE in output of aluminium foundry products which has been going on since the peak year of 1973 has been continuing, after appearing to stabilise in 1976-77. The worldwide recession in the automotive industries, coupled with the reprogramming of supplies by the multinational companies indicates that this year the decline would be even steeper. It is already being heralded by lay-offs and widespread short-time.

In the past two years alone consumption of castings has dropped by about 20 per cent to just over 100,000 tonnes (in 1979). This compares with more than 140,000 tonnes in 1973. This is in spite of a steadily-increasing use of light-weight aluminium components in cars to improve fuel consumption by lightening the overall weight.

Potential

Currently the weight of cast aluminium components such as complete engines or cylinder heads, transmission housings and many smaller items in continental cars is around 37 kilos. The average weight is forecast to increase to about 45 kilos in the next five years, with the UK making up ground to nearer 40 kilos but still trailing.

The figures have been produced by Aluminium Pechiney, which for 1985 has considered the further potential for substitution of existing components such as disc brake calipers, master cylinders, manifolds and so on by cast aluminium components.

The trend towards aluminium cylinder blocks as well as heads is a reflection of the now almost universal use of front-wheel-drive for small and medium size cars, as well as the maturity of the foundry techniques for making them. It has perhaps gone furthest at Renault (only the 4 and 6 models have iron blocks) though Peugeot is catching up. Volkswagen is understood to be moving to aluminium for its Golf and Polo models and Fiat uses aluminium cylinder heads. In the UK aluminium for engines is confined to top of the range models like the Rover, Aston Martin, Rolls-Royce and Lotus.

It had been expected that the BL Mini Metro would have used an aluminium engine in due course, but this now looks unlikely since £90m has been spent on modernising the "A" Renault engine production line. Certainly BL's projected aluminium foundry expansion at Leeds indicated a big extension to the use of the metal. It would have added 7,000 tonnes to BL's existing Leeds output of 6,000 tonnes.

It will be recalled that the £25m project aroused the bitter hostility of the aluminium foundry industry, which regarded the plant as building capacity which could only result in cuts of orders from traditional suppliers; though BL denied this.

The company said the new plant was needed because projections showed that even if

BL's car volume remained static, usage of aluminium for engines was likely to go from 20,000 tonnes to 28,000 tonnes. The project has been shelved after BL failed to find either a UK or overseas partner for it.

This is perhaps just as well, for while the use of aluminium in vehicles points to a steady expansion in terms of volume, the UK trend is continuing

USE OF ALUMINIUM CASTINGS IN CARS

	(Average weight in kilos)			
	1973	1978		1985
France	32.4	37		45.4
West Germany	31	33		44
Italy	35	37		44.5
United Kingdom	27	31		40
Source :Aluminium Pechiney.				

Source: Aluminium Pechiney.

downwards. In common with the rest of the component supply industry, aluminium foundries have lost half their market to imported cars. In addition, there is another considerable percentage of "British" cars imported from Europe, such as the Ford GHA and Granada models, some Fiestas from Spain, and Vauxhall Astras and Royales from General Motors continental plants.

There also has to be taken into account the assembly of Talbot cars, still with a high French content, the Vauxhall Cavalier and Carlton from mainly German sources and the new Bonty which BL will start assembling in 1981 chiefly from Honda-built parts.

Even though aluminium cast-

ings from the UK will be entering many European cars, in some form or other, the policy of the multinational vehicle companies to dual and treble sources has tended still further to attenuate the market. For instance, the new Ford Escort (codenamed Erica) due to be launched in the near future, will have a substantially aluminium cylinder head. Two

unwieldy, many foundries are wondering how long they may have to wait for orders after demand has again recovered.

In short, there have never before been quite so many uncertainties, so many corners still to be reached and turned. However, the gloom is not entirely unrelieved, even where the automotive and domestic appliance industries represent more than 60 per cent of turnover. Most companies, also supply buoyant industries: communications and aircraft, defence and avionics, or they may supply castings for North Sea oil operations, land-based or on platforms.

Much of this, and defence work essentially, depends on the higher possible standards of quality and accuracy. For some highly-specialised products only one or two foundries in the country (and no more in Europe) have the necessary facilities.

The emphasis these days is on techniques that will telescope the number of processes between raw material and finished product to offset escalating labour and machining costs at the customer's premises. And preferably at no greater cost than the superadded techniques. This is being accomplished partly by a swing to investment casting for intricate shapes designed to very tight tolerances. This is the process, basically many hundreds of years old, in which a wax replica of the component is made in dies and given a ceramic coating. When ready the wax is

melted out and replaced with metal. The coat is then removed when cooled. One big advantage is that the process often eliminates the need for brazing individual components together to make the whole. Adherents of investment casting say it has the biggest potential of any system.

Though scarcely used yet for general engineering and commercial work—about 95 per cent is for aerospace, military and communications—it is nevertheless steadily encroaching on more usual methods. Moreover, investment casting lends itself to automated handling, computerised control and a better working environment. But while British performance is as good as to be found anywhere, rising costs are causing the end products to join the lengthening list of goods whose export prices are becoming uncompetitive because of inflation, and the strong pound.

Peter Cartwright

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Anxiety over brass imports

ALTHOUGH IT is of modest size when placed alongside the ferrous and non-ferrous foundry industries, the UK brassfoundry should not be dismissed as a specialist relic. Sales in 1979 were about £130m, and the industry employed nearly 10,000 people, mainly in Scotland, Yorkshire and Humberside, the West Midlands, London and the West.

The total product range is of considerable complexity, and not all produced by casting, but broadly speaking, brassfounding is the generic term for production of the taps and valves which are an essential part of plumbing and engineering.

The industry in fact covers all the devices used to regulate and control the flow of water from the supply point to the user, and obviously, the bulk of the industry's output is aimed at the housing sector, both in terms of new housing, and in home improvements.

According to the National Brassfoundry Association, which represents 35 of the more than 40 UK companies, higher housing standards, the rising standard of living, and the increasing strength of consumer preference have made the home improvement sector assume increasing importance.

This in turn has meant changes in production methods, designs and marketing by the industry. It has also been a factor in the swift growth of imports, a development which is currently causing anxiety among the UK companies.

In 1976, the British Standard specification for kitchen and bathroom taps was re-written completely, and the new Standard BS 5412 puts the emphasis on consumer requirements of in-service performance. According to the NBA, UK companies led the world in applying new and lower cost materials, backing up such developments with their own

direct consumer promotion and advertising.

Product designs, such as radiator valves, were radically re-thought, to cut unnecessary metal usage and production work, but to some extent this has been blunted because of the strong rise in imports. In recent years, home producers' sales have fallen as the import wave increases.

The association insists that measurement by value is misleading, because of low import prices, but even before allowing for this, imports took 20 per cent of total UK sales in 1979. If the position, in real volume terms, is examined, the situation is even worse, they add.

Categories

Virtually all brassfoundry imports fall into three main product categories, and NBA figures underline the position now facing home producers. In bathroom and kitchen taps, UK producers home sales between 1978 and 1980 were down by 3 per cent; imports rose by 188 per cent. In gate valves, the UK sales fell by 20 per cent compared with a 185 per cent rise in imports.

Imports have not risen so dramatically in the other two sectors, covering stop valves and radiator valves, being 35 per cent and 28 per cent up respectively. But UK producers' home sales in the same categories have fallen by 12 per cent and 20 per cent respectively.

The NBA brands Italy as one of the major sources of the imports, particularly at what the association calls "inexplicably low prices," but Portugal is, to an increasing extent, also selling in Britain, as is the U.S. The Italian share of UK imports in 1978 and 1979 ranges between 40 per cent for stop valves, to 70 per cent for gate valves.

According to an association report, published this week, the

NBA "fully understands and respects" the UK's commitment to free trade within the EEC. But it "regrets" that technical regulations do not offer equal access to all the national markets within the Community, and adds sharply: "It does not believe, however, that free trade is compatible with predatory and discriminatory pricing."

British manufacturers have been unable to establish any design advantages among imported goods. Neither is there evidence of better production methods. In fact, the NBA claims that on terms of equal competition, British products could, and would be, comparably priced.

They suggest that earlier British design improvements in products like radiator valves have been followed, or even copied by overseas competitors, and that there is clear evidence of deliberate concentration on UK markets.

In some cases, imported taps are still supplied to the largely superseded BS 1010, and these lag behind the performance of taps produced to meet the improved BS 5412.

The general verdict of the association is unequivocal. "Pricing policies in these cases appear to relate to displacement of UK production rather than to commercially more normal criteria."

Against non-commercial pricing, the UK industry is ultimately powerless, claims the NBA, which is now seeking a full examination—"in the spirit of the Treaty of Rome"—of the current invasion of the UK market by low priced imports. "Nowhere has careful analysis identified a basis in better design, reduced material usage, or superior production methods for price disparities of 30 per cent between UK and imported products."

The imports have already had a marked effect on the industry.

There had been a fall in industry employment since 1975, and with 75 per cent of NBA members forecasting further job losses in 1980, the end of the current year could see a six-year job loss approaching 2,000.

Obviously, under-utilisation of UK industry capacity and the

inevitable low profitability, have already retarded investment, a gloomy trend which seems bound to continue. Eventually, such a stagnation, if unchecked, weaken further and eventually destroy the technically competitive position of British producers.

Frazer Wright

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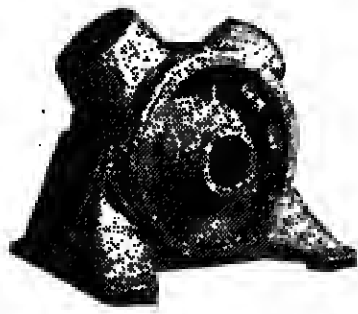
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FOUNDRIES IV

Training vital to meet the future

"LIKE MANY industries, the British foundry industry cannot assume that training will solve all its long-term problems, but any company which tries to solve those problems without training is shortsighted," says Mr. Brian Cave, director of the Foundry Industry Training Committee.

The committee, which has done much to spread this message in recent years, has faced its own difficulties in the past 12 months with the effects of Government expenditure cuts leading to a 12 per cent reduction in its manpower. It is also awaiting the outcome of discussions on the future level of Government grants, which amounted to £724,100 in 1978-79, much the same as in the previous two years.

Mr. Cave's view is that whatever the benefits or drawbacks of Government grants, they have become an integral part of the industry's training programme, and would be difficult to replace from industry sources in the present economic circumstances. It would mean a considerable increase in the burden on companies, which last year contributed more than £4.3m in the form of a 1 per cent levy on companies with emoluments of more than £25,000 a year.

Overall, the industry suffers from being too small, employing 0.7 per cent of the country's total workforce, to command more than one full-time university course, although Birmingham, Aston and Leeds Universities offer limited facilities through metallurgy courses.

However, the industry has made considerable progress on training in the past decade, and the training committee is now insisting that the Government cannot allow a reverse in such a basically important sector, despite the convenient arguments that the Government's non-interventionist policy is good for industry.

The other major difficulty for the committee has been to make training suitable for those both large and sophisticated companies and small, generalist concerns. As a result, it has attempted to pitch training at a level which allows people to work almost anywhere within the industry.

Objectives

Although some companies argue that this kind of training encourages people to change jobs, it is regarded as important at a time when closures are not uncommon, creating more opportunities for employment. On the other hand, the committee recognises the need for a hierarchy of objectives in training, and has encouraged that approach.

Yet another problem, which has been with the industry for many years, is the violent cyclical fluctuations in output and manpower demand, and it has been virtually impossible to regulate the flow of newly-trained employees accordingly. Over the same period companies

have become increasingly hedged in by employment legislation, safety requirements and employee protection which, while commendable, has severely limited their flexibility to reduce manpower during bad periods.

The attractiveness of the industry to potential trainees has also been affected by fundamental changes in working conditions. No longer is it based largely on craft skills, piecework and rapport between shop floor and management with practical experience. Moreover, the industry as a whole has been declining in size at the rate of about 2.5 per cent a year.

Against this background there has been a subtle change in the employment structure in the foundry industry, with general operators accounting for about two-thirds of overall employment but declining in numbers roughly in proportion to the overall contraction.

Technologists, who account for a very small percentage of the total employed, are now increasing at the rate of more than 5 per cent a year, while the numbers of other technicians, managers and administrative staff are remaining stable, but proportionately gaining in importance. Moulders, key personnel in many companies, are declining in number by 5.8 per cent a year.

Another worrying trend is the rising age of managers within the industry. In the

early 1970s about 25 per cent of managers were aged 54 and over, but by 1978 this figure had risen above 30 per cent, and has continued to rise, while those in the 45-54 age bracket fell steadily during the mid-1970s.

These trends are regarded as continuing evidence of the changing structure of the industry, away from broad-ranging crafts towards greater specialisation, which the training committee accepts while still placing considerable emphasis on the importance of the craft tradition, which was the basis of the industry for so long.

Out of training funds which amounted to about £5m in 1978-79, about £2m was spent on "specific acts of training" which were generally carried out by outside companies themselves. This included the £724,100 in Government grants, allowing this sum to be fairly easily accounted for, but it is also the area in which there are fears that any reduction in grants would not be replaced by industry funds.

Just over £3m of the £5m was spent within the industry itself, in conjunction with company training schemes. The largest individual item was about £1m spent on the training of operators, while £786,000 was spent on organising training and a further £541,700 on managers and supervisor training. The role of the committee here is to steer companies in the direc-

tion "which their better judgment would in any case dictate". Companies are also urged to see training as an integral part of their operations, for example, judging the performance of a single operator not only on his individual abilities, but in terms of the flow of materials to and from his work area.

Control

A high proportion of the levy funds provided by companies does not, in effect, ever leave their control, since their indebtedness is calculated at the end of the training year (on the basis of their adherence to recommendations) with consequent advantages in terms of cash flow.

The training committee was set up after the 1964 Industrial Training Act, and the 1973 Employment and Training Act altered its status in that it gave the Treasury control over grant funds. As a result of the need to adhere to cash limits, the committee has faced considerable stringency recently, and with the 1973 Act now being reviewed, more responsibility could be returned to industry in future.

During recent years the committee has seen considerable convergence in the training policies of the European countries, and participates in annual meetings of an EEC industry body, but this harmonisation has come about more as a result of industrial and commercial pressures on the industry

rather than through any central policy. The objective of training policy, drawn up through consultation with employers, trade unions, educationalists and Government, is to maintain a "balanced" labour force of competent people. The committee believes that it cannot make the foundry industry look more attractive than it is, and must therefore present the facts as objectively as it can.

It also believes, however, that changes in the national education system since 1964, and probably earlier, have changed the quality of entrants into the industry. Prior to that date the industry could expect a broad range of talents, whereas now it expects few entrants as a basic level with A-levels. As a result, the number of employees rising through the hierarchy to manager level has been reduced.

The training committee believes, however, that this can be overcome to a certain extent by good craft training, which varies in quality very considerably through companies. Overall, it is clear that training is now being tackled in a far more sophisticated way in an effort to overcome the structural changes within the industry, and that any reduction in the resources committed to training could undermine much of the work already done.

Lorne Baring

Improvements in working conditions

WITH THE possible exception of some mines and quarries, there are few workplaces offering such a combination of unpleasant conditions as a foundry, or a forge. Noise, heat, dust, and fumes add extra layers to the inevitable discomforts that accompany the majority of engineering occupations.

Yet both foundry and forge have been among the leaders in the implementation of measures to improve working conditions inside and reduce environmental pollution outside. Ironically, perhaps, in view of the close commercial rivalry that the two metalworking industries invariably face in the marketplace, many problems are common; some are peculiar to one industry. Indeed, one of the latest developments in the forging industry is a concentrated and serious search for a quieter hammer. This may bring a way smile to the faces of industrial veterans, but it does emphasise the extent to which companies and their trade organisations will go to try and bring improvements to the shop floor.

Improvements there have been, but nobody can deny that a foundry can still be a dirty, unpleasant place in which to work. Ask anyone who has handled a pneumatic chisel, tearing the slag from the inside of a giant slag pot.

No one would suggest that all of these improvements would be here, now, if it had not been for the veritable welter of legis-

lation that now faces the foundry industry. But it is a known fact that the better UK foundries were often well in advance of health and safety at work legislation, a position which many continue to maintain.

In Britain, and other Western industrialised nations, the principle now adopted is that the polluter pays. Which is, perhaps, something of a misnomer, for invariably, the customer pays in some form or other.

It is a monumental task to try to discover, with accuracy, how much the cost of safety and pollution measures add to the finished product leaving the foundry. But in the steel industry, which has similar problems, albeit often more extensive in the case of pollution, an expert calculated some years ago, that the latest fume control measures in the South Yorkshire steel complex—designed to capture the 5-10 per cent of the fume that conventional filters missed—added several pounds to the cost of each tonne of steel produced.

Foundries accept that this sort of environmental tax is inevitable. Indeed, the improvements made in recent years to working conditions have helped in part to stem the flow of labour from foundries to slightly more pleasant jobs in allied industries. The foundry employer needs little convincing that a happier and safer workforce brings other bene-

fits too, starting with productivity.

A major innovation in recent years has been the formulation of what are termed threshold limit values (TLVs) which try to lay down acceptable limits for a variety of nuisances. There is broad and general agreement that these limits are realistic and workable. Unfortunately, they are not widely incorporated into legislation, so cases can arise where a nuisance is within TLV, but because it exists at all, the legislation demands a cure.

Maintenance

In the case of a foundry where there is a minor process which causes dust, this may be below the accepted TLV. But legislation wants that dust problem to be removed at source. So a highly-expensive, energy-consuming extraction system is called for, which will then need regular servicing and maintenance.

Some of the safety regulations currently on the statute book, and therefore, being policed by the factory inspectors, are 25 years old. Until they can be updated to include the TLVs there are likely to be occasional instances of slight friction, although the inspectors are among the first to point out the very real values of TLVs, and are currently involved in talks with the Steel Castings Research and Trade

Association (SCRATA) over their wider relevance.

Mr. Douglas Swinburn, manager of the association's environmental bureau, is a firm supporter of increased use of TLVs, and urges constant updating of legislation to incorporate them. At the moment, he explained, these values are published for guidance, but the sooner they form an integral part of legislation, the better for the industry, and the men who work in it, he said.

There are other difficulties too on occasions. Mr. Swinburn cites the case of a leading UK steel foundry where just two workmen are regularly exposed to what all agree is a potential dust hazard. It would cost up to £40,000 to install a full-scale fan extractor to deal with this hazard. Yet it could also be tackled by having the men wear the new Rascal Airstream helmets, which would filter out all dust dangers.

The majority of workers are quite happy with these helmets, which produce personal "air conditioning" behind the face shield, with air which has been thoroughly filtered. The cost? About £100 for each helmet, perhaps with a third more as back-up. Compare that to the capital cost of installing an extraction system, meeting the cost of running it, and providing maintenance.

Mr. Swinburn is in no way critical of the inspectorate. "Until the regulations are

altered, they have a job to do, working with these regulations. They, like us, welcome these TLV recommendations, but they have to observe the letter of the legislation."

All these questions of cost of legislation are not raised with any desire to boost individual company profits. Of far more importance is their effect on the long-term competitiveness of the UK foundry industry. If British foundries have to meet a substantial bill for the implementation of safety and anti-pollution measures, this becomes a direct, non-productivity, cost. As legislation gets tougher, so this extra cost is reflected in unit costs.

But take a competitor steel foundry in, say, Korea. There, health and safety legislation is by no means as advanced as in Britain, with little in the way of independent policing by a Government body. Add to that the lower wages, and subsidy help, and you begin to understand why their prices are often substantially below those of a UK foundry.

There is now clear evidence that the burden of meeting safety and environmental legislation has been enough to close foundries in Sweden and the U.S.

Within the EEC, broad guidelines for member companies have already been adopted on both environmental pollution, and safety and health at work, both of which firmly adopt the

"polluter pays" principle. But the directives also urge that measures in these fields should not be accompanied by subsidies that would create significant distortions in trade and investment.

The CBI has studied the position in detail, and it feels that in certain instances where the UK is at a competitive disadvantage, it is in the interests of British manufacturers to press for harmonisation to bring the standards of other member States up to the higher standards of the UK.

In the U.S., the introduction of the Occupational Safety and Health Administration in 1972 was the signal for an explosion in the demand for workplace and environmental improvements. For the U.S. steel foundry industry, singled out for attention from the start, it was a traumatic experience, particularly when the Environmental Protection Agency, responsible for community pollution also appeared on the scene.

That this has not happened in the UK is because such legislation has been introduced here over a considerable period, and has been assimilated by both manufacturers and unions, as well as by EEC. But what has happened in just eight years in the U.S. stands as an uncomfortable reminder of what could happen here in the next major offensive against pollution, and workplace hazards.

Frazer Wright

Automation needed to compete

PROGRESSIVE ELEMENTS in all sectors of the ferrous and non-ferrous foundry industries are moving steadily and on a broad front towards automating processes to provide more consistently accurate components of assured quality. This is seen as the necessary stage before the wider introduction of automated assembly lines during the next decade. These demand precision components if they are not to suffer constant breakdowns.

The two developments which have spurred these changes have been, of course, the "pick and place" robot that can make work in the hot and dangerous areas of foundries so much safer and more comfortable, and the micro-processor which can remotely control a process with great accuracy and sensitivity. Some of the criticism, so widespread, about the failure of British industry to avail itself of these new aids with which to meet competition is wide of the mark. A great deal of work has been quietly going on for some years to familiarise people and develop systems to suit the kind of plant installed. Several of the big foundries have engineered their own solutions. The equipment has been tailored-made to suit individual requirements.

While the need to bring in new technology to meet rising competition from Europe and beyond has been a driving force, the persistent demand by customers for higher-quality components that come much nearer to finished measurements to avoid costly machining has been at least as important.

These considerations are promoting a significant move into investment casting process for aluminium and light alloys. As an indication the British Investment Casters Technical Association (BICTA), which represents all the major producers in the industry, reports that the value of castings sold

last year was 73 per cent greater than in 1977, and that the order intake over the period had expanded at an even faster rate—by 117 per cent.

By way of confirmation of the rate of progress, if 1978 is compared with 1975, the value of castings sold rose by 31 per cent but the order intake went up by 57 per cent. Of course, inflation has to be taken into account, but the trend is clear. While the association's figures do not pretend to represent the same rate of advance over the industry, a reasonable estimate would suggest that the total value of output now exceeds £100m.

Attracted

Advanced studies are also being made into investment casting tooling. The National Engineering Laboratory is one organisation that has shaped a programme this way over some years and is now reaching the stage where machine tool-makers are becoming attracted. It is a market infiltrated already by Czechoslovakia and other countries, and offers considerable prospects.

Meanwhile, the automating of injection moulding machines to produce wax replicas of the product, the use of robots to dip the replicas into a liquid ceramic solution to build up a shell, and more precise control of the finishing processes are all encouraging signs of progress. That UK investment casters can deliver their own in the world is shown by a useful 15-17 per cent surplus of exports over imports. The latter are running at only about 5 per cent, so that the UK is protecting its home market in this area at least.

Investment casting lends itself especially well to complex, high-technology products for aerospace, avionics, and defence work in connection with tanks, missiles, and aircraft control systems, and for communications. Some of these are elabor-

ate chassis for the installation of mini-computers that eventually will control the flying controls of a military aircraft. Others are for vehicle engine management systems for fuel conservation. The demands that the military is making on this branch of the industry is pushing out the boundaries of technology faster than would be usual in commercial trading.

For example, components are going up in size and can now be made up to 3 feet by 2 feet x 2 feet, twice as large as was possible just five years ago. However, there is not a great deal to boast about as far as the UK is concerned: the techniques were founded in America and Canada, and some of the crucial materials also come from across the Atlantic.

Parallel advances are going on in ironfounding to bring the finished casting closer to the tolerances of the completed component, and to speed up individual processes. An interesting recent advance in the production of large castings like diesel cylinder blocks needed in volume has been achieved by Sterling Metals after several years of development work. It involves the use of the carbon dioxide (CO₂) process whose chief attraction is cheapness, but which also poses problems in casting finish.

The process is in common use for small products or for large ones where loose tolerances are acceptable. But for accurate volume work it has been difficult to avoid imperfections in the finished casting. The solution has been to devise a satisfactory method for the liquid refractory coating of the CO₂ core. The core is based on a binder of sodium silicate and sand through which the gas is blown. Chemical reaction converts it to sodium carbonate, which cures in 10-15 seconds. The untreated core has a very high absorption rate of moisture and is sensitive even

to a change in humidity, and it has been this factor which has made a satisfactory coating difficult to achieve.

Associated with this development is a new core-making facility based on a French core blower. The rotary table for the core boxes was made by another British foundry subsidiary, Penelec. This is an eight-station circular machine with the useful advantage of indexing past empty stations if only four are being used. There has been a dramatic gain in productivity from 70 to 135 cores per shift accompanied by a saving in manpower and improved working conditions.

This is one of the more outstanding examples of the benefits the foundry industry—non-ferrous as well as ferrous—has derived from individual initia-

tive and the government-aided capital expenditure programme. In general, the foundry industries are much better equipped to deal with the competition, though it is discouraging that the new process should have reached the production stage just as a worldwide recession again uncovers surplus capacity. Bronze and brassfounders, too, have been encouraged to invest in the most modern plant and equipment to meet the challenges of North Sea oil requirements, and those of the chemical and marine-based industries. And all sectors have had common problems posed by strict health and safety standards, expenditure on which is an unavoidable addition to overall costs.

Peter Cartwright

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Fauré and Janacek

by DOMINIC GILL

Fauré's Requiem and Janacek's Glagolitic Mass make a happy, concert coupling. The author of the one was not a serious believer, and of the other a most unorthodox theist—and each work in its very original fashion is the very antithesis, formally and spiritually, of the traditional Mass with its insistence on the terrors of the Dies Irae, the fears of eternity.

"A Requiem without the Last Judgment," in his warm, clear and uncluttered account with the Philharmonia Orchestra and the London Choral Society on Monday, Simon Rattle was at pains to underline the radiance and quiet ardour of the music. His smooth and forward-moving way with the "Sanctus" caught its piety without sanctimoniousness; in his accompaniment to the "Agnus Dei" he was glumly sung by Jonathan Summers, he very delicately pointed the way and lilt of a Barcarolle. He coaxed from the choir much unusually fine-grained texturing; and in the

"Kyrie" some beautiful pianissimo singing. The Festival Hall organ has just the right incoherent four-foot flute stop for the timeless, ecstatic bird-call of the "In Paradisum". By contrast, after the interval, he caught the rawness—as well as the precision—of Janacek's vocal and instrumental writing, high on low, hard on soft, deep strings on shrill brass. The reading was paced; even if, in his concern for the continuity of long paragraphs, some moments of mystery were a little lightly passed over, the yearning in the repeated cry of "Verni!" and from time to time the darker shadow of a phrase, as it passed, a fumbled organ Postlude, and an alarming density of the soprano soloist, Laverne Williams, to pitch her high notes somewhere between a note and shout, were disappointing; but the performance was otherwise splendid in its jubilation, and its invocation of elemental force.

Bush

Commitments

by B. A. YOUNG

Dusty Hughes's play treats of a nest of Trotskyists variously devoted to their cause. Hugh (Alan Rickman), who owns the flat where it all happens, isn't committed at all until, out of good nature, he has taken on the task of delivering the Socialist Daily in the industrial north, when he drifts into the movement. Claire (Paola Dionisotti) and Willie (George Irving), who share a bedroom, are deeper in. Claire especially. She's a pop-singer, a middle-class young woman trying to identify with the workers, and stands as a candidate for her party, the Revolutionary Socialist Party, in the March 1974 election. Willie's membership, dependent on her, is a strain on an already untidy life that ultimately leads to a nervous breakdown.

Satellites attach themselves: Inge (Deborah Findlay), a refugee from the consequences of her actions for the Baader-Meinhof gang; Buzo (Bryan Coleman) an ageing homo from the flat below, whose friends will be relieved to learn that he is bisexual; Arnie (Jack Chisholm), who turns up occasionally to give orders, cage food or harry Inge to save her from deportation. The play is a still life, but I

say this in no adverse way. I found it magnetic to watch the development of these different people, through crises that in their tense private world, seem to offer paradise or threaten the end of the world, but that to non-members might seem trivial. The characters are drawn with minute accuracy, and they behave as such people would behave, without any firm dramatic progress being required of them. The acting of them all is impeccable.

There is no conclusion. Each individual has reached another point in his or her life, and his or her life will go on according to the next impetus. There is no question of tying up loose ends, for there are no ends to tie.

The direction by Richard Wilson is faultless, the set, by Sue Plummer, with its endless shelves of books, its untidy jumble of papers, is exact.

Jeeves Takes Charge, some dramatised Woodhouse arranged by Edward Duke and acted by him, opened on Monday at the Lyric Hammersmith Studio. I couldn't go, but I've already seen this performance and recommend it for its authoritative fidelity to its original and the able playing of Mr. Duke.

Elizabeth Hall

Roger Woodward

by DAVID MURRAY

Monday brought the penultimate instalment of Woodward's current Beethoven sonata cycle. Followers of Woodward's form will be relieved to learn that his recent honour has not tamed his personal daemon in the least degree; it still drives him headlong into chartless musical territory. On Monday it had him up a tree, and kept him there.

The principal work was the "Hammerklavier" Sonata, to which the pianist has often done honour, and in radically inquisitive ways. There was, however, a pair of lesser sonatas to precede it, the "Pastorale" op. 28, and the limpid, gracious op. 78 piece in F-sharp. As if to emphasise their nullity in the face of the great op. 106 work, Woodward despatched them with off-handed contempt. The Allegro of the "Pastorale" floated limply in a wash of pedal, and the redeeming detail of the later movements was rendered down into sopor by similar means. It was the most

featureless playing I have heard from him. On 78 began, unbelievably, with its Adagio cantabile, made into a quick grimace. None of the repeats were taken, plainly for unfriendly reasons.

The "Hammerklavier" might have excused everything, but from Woodward's strange vantage point it seemed to wear a hateful aspect. As usual he swept up the Allegro at a daring tempo, with the central fugato a baying hunt, clarity was a premium, however, and the sense had often to be taken on trust. The bizarre elements of the Scherzo were made doubly so. The Adagio was absorbing in an alien way, even moving—but with a minimal effect of movement; remote, elusive sonorities brooding over a fractured, unfulfillable beat. The Allegro risoluto came in fitful bursts, and its capricious, winding, founded puncta went, this performance was a set of feverish graffiti.

Phoenix, Leicester

Killer on the Dance Floor

by ANTONY THORNCROFT

A few weeks ago two seasoned musicians, Trevor Horn and Bruce Woolley, wrote the best-selling single of the time, "Video Killed the Radio Star." They obviously liked the idea for, with the assistance of Jingle writer Rod Thompson, they have produced a musical based around the same theme, "Video Killed the Radio Star," recently receiving its world premiere in its native Leicester.

But whereas the hit was a jolly little tune the stage show is a much more sober, not to say downright depressing, work. We are in "1984" territory, with a docile population being governed by television screens and encouraged to despise the "Sm" "zeros," the unemployed untouchables. The big visual treat of the week is a programme featuring Vampirella (Aletta Lawson) who after interviewing dissidents gets the viewers to press the "hate" button and exterminate them. In fact there is a great deal of facile violence in a plot with a very negative view of life.

Fortunately this does matter too much given the frenzy of the production. With a rock quartet in one corner, a reversible stage, and mountains of video screens and technology, plus garish costumes, nasty effects and some quite good songs Killer on the Dance Floor hardly leaves room for boredom. From the opening sequence of a back projection motor-bike ride to the "it was a dream" or was it? ending, the audience is pelted with images, if not with much sense.

Actors of the like of Carol Cleveland have little chance to make an impact before it's on with another costume and there goes our music. A trail of record company executives and West End impresarios is winding to Leicester. They probably think there is something there, not least songs like "Needle Time" and the title number, but some humour, a touch of acting class, and less gloom in the plot line would be welcome. Even so, as British musicals go it went quite well.

Television

Through the glass boat

by CHRIS DUNKLEY

A "window on the world" is one of the oldest and commonest clichés used to describe television but it is not really a very accurate metaphor. Most windows stay still and provide the same view all the time. Television is more like one of those glass-bottomed boats which offer Caribbean tourists a sight of the passing depths: here a glimpse of angel fish, there a bit of coral, here a lurking grouper, there the pathetic remains of some ancient glory manifested in a wreck.

In the past week the boat has allowed us to peek through the glass into the domo of the Headland family in Corby and watch briefly and with a sense of unavailing intrusion while their lives collapsed owing to the debacle in the British steel industry. The programme Nobody Asked Us, on BBC1, was made by Paul Watson who also made the famous series called The Family about the Watkins of Reading.

There were similarities: the realisation that family conversations involve little logic but much intuition. The sense of eeriness as we watched the screen showing the plump Sid Headland watching his screen showing infants' daytime programmes. And, probably Watson's most important contribution to this sort of television, the vivid demonstration of how many people feel that things happen to them irresistibly: Government, things, management, things, union things.

The Headlands were far from spineless or defeatist; the programme ended with stunk talk of moving to Cornwall and going into offshore fishing. Yet it was very sad, as was the Thames programme about the people on the council estate in Wandsworth, Croydon. Producers Mary Holland and Michael Whyte provided a unique opportunity to look back at the outside world from the standpoint of those more usually the object of curiosity themselves, starting with an almost symbolic shout through the window of one of the Croydon houses towards that soulless "town planning."

In both Corby and the Croydon it is possible, of course, for viewers not only to look into the unfamiliar worlds but also, and probably more important, to listen to what is being said by the inhabitants. But it is not quite as easy as that when the television boat brings its glass panel to bear on Zankar in BBC2's four part series The Last Place on Earth.

After all the years of Technicolor travelogues it is impressive to be able to say that this is a quite outstanding series, and not just because of the almost hallucinatory clarity of colour and depth of field achieved with film cameras at great altitudes. In a cragfast Himalayan valley, reached only by crossing a torrential river via a sagging bridge hand-woven out of twigs, Tibetan expert Michel Peissel has been conducting us around what appears to be an authentic Shangri-La. Isolated from the rest of the world, the people have retained their medieval way of life and so far as one can tell from facial expressions and Peissel's interpretation they are (as he tells us a little too insistently perhaps) extraordinarily gentle and contented. In Programme 3 that their idyllic society with its absence of a money economy, its plentiful food, adequate land and—sustaining all this—virtually zero population growth depends upon a most curious social system which some, especially the younger sons and daughters



Scene from BBC2's 'The Last Place on Earth'

among us, might find less than ideal. Not only does it permit polyandry and maintain the right of primogeniture, it requires that a remarkably large proportion of the population be cooped up for life in monasteries and nunneries in a state of chastity. Hence the stable population.

I suspect nonetheless that Peissel is right when he says that we in our frenetic world have much to learn from them, and I am certain that the fears he expresses repeatedly about the new highway and consequent tourism are entirely justified. His guilt about being the man steering the glass-bottomed boat and thereby speeding that outside encroachment is also understandable. Yet the programmes are truly fascinating and in them producer Peter Montagnon has, in my view, come close to attaining what he was never remotely likely to achieve in the whole of his Long Search series.

The case of the BBC news coverage of the Iran Embassy siege becomes curiously and curiously. After the BBC's reporter at the event had been bathed in waves of overspill from the euphoria in the Press following the great British "victory" this column ventured to express a mild doubt. Things seemed a trifle confused during that notorious news broadcast from Prince's Gate, it was suggested, and it wasn't even clear whether the explosions were from within or without.

Several readers wrote to say how relieved they were to read confirmation of their own impression that the BBC lady had seemed out of her depth. They too had been badly misled by the broadcast. But Alan Protheroe, editor of BBC TV News, took great exception and wrote to the Financial Times defending his reporter and also his own blithe assertion in a magazine article that "Our assessment made at the earliest stage turned out to be absolutely correct: we were sure this siege could not be resolved without the intervention of the SAS or a similar group." His letter claimed grandly that "journalists have a pretty good idea of what's going on."

Odd then that, as Observer editor Donald Treford pointed out in the first of a new series of The Editors on BBC1, the BBC news broadcast from the

siege, far from spreading understanding, gave massive circulation to misunderstanding since so many viewers were given the impression that the whole thing had gone disastrously wrong.

More curious still, though, was Mr. Protheroe's explanation on The Editors of how he knew about the inevitable end of the siege. It was, he said, as a result of certain knowledge conveyed to him "as an individual" [whatever that means—not as editor of BBC News?] that he was able to conclude as early as Wednesday night that the affair would have to end in violence. Perhaps, he suggested pointedly, it was the analysis of Professor John Gunn, the psychiatrist who was briefing the police, which resulted in this conclusion.

But Professor Gunn who was also on The Editors promptly made it clear that on the police side nobody realised until the very last moment on the Monday (five days after Mr. Protheroe had realised) that such an outcome was going to be necessary. The mystery, then, is why Mr. Protheroe waited until after the event to declare his unique foresight instead of telling the

police as well as his own reporter on the spot in time for the information to be of some practical use? Most curious.

But then the ways of the BBC sometimes passeth all understanding. Why, for instance, do they believe that it is a good idea to restrict their only programme about journalism—The Editors—to the silly season? What is it that makes the ethics and antics of the Press and broadcasters (over France this week) seem so much more interesting in the summer?

The best thing to happen to BBC news presentation for a decade or so has been the arrival of Jan Leeming who not only looks good (that being, it seems, the main criterion today for choosing news readers) but sounds good too. Her direction is clear and free of the hilarious emphasis on words such as "guerrilla" and "Nkomo" which became a standing joke with Angela Rippon. How sad then to hear Jan Leeming announce on Thursday—even if she didn't write it herself—"The organising committee will comprise of..."

Holland Festival

Medieval musicircus

by NICHOLAS KENYON

The small but magnificent moated brick castle of Muiderst, some twelve kilometres outside Amsterdam, has been celebrating its seventh centenary this year. The Holland Festival, always willing to try out unfamiliar repertoire and new ideas of concert-giving, devised an evening of medieval music which was given seven performances to overflowing audiences in the castle.

The climax of the programme was an open-air staging of the Play of Robin and Marion, written by Adam de la Halle probably in the 1320s, the same decade that Muiderst was built. But this was surrounded by a delightful selection of other small concert: in the courtyard, interrupted by appreciative comments from nearby sheep and goats, the Ensemble Kaproen gave comic and sad but music, and some lovely lute songs by the Dutchman Constant Huygens. Inside the castle, the Bishop's Chamber was a setting for a harpsichord recital by Ton Koopman or Tini Mathot; up on the first floor, the Camerata Trajectina gave a programme of early renaissance music.

Because audiences were so large, commuting around these concerts was impossible—every room was packed. I stayed in the courtyard for the first part, and then squeezed into the wood-panelled, candlelit Ridderzaal for the second part. Here the Ensemble Sequentia (a consort of four, mostly Americans, based in Cologne) gave a revelatory programme of traditional and avant-garde music from the late 13th century, including some of de la Halle's chansons and the far weirder, striking pieces of Jehan Lescurel.

The group's corporate style is sure and well-developed: the two singers perform from word-books, and the instrumentalists improvise their accompaniments throughout. I am not sure that the items need to be so consistently linked by drones. But the continuity of the performance is compelling. Barbara Thornton has a forward, throaty voice, somewhere between Janina Norman and Monserrat Figueras; she does not eschew emotionalism, and the result—especially in such a small room, where we can see the performer's eyes and gestures—has surprising power.

After that, it was back to the courtyard for Robin and Marion. This early pastoral makes, in fact, very limited use of music; apart from a few songs and some interpolated fanfares the entertainment is mainly spoken—and spoken in obscure Middle French (helpfully translated in the programme into Dutch). But this lively, vigorous production was commendably faithful, resisting the temptation to extend the songs or over-elaborate them. The sheep and goats now roamed freely on the wooden stage; Christian Landy and Beatrice Cramoix were an appropriately earthy pastoral couple, and Pierre Danais was a dignified knight on an exceptionally well-behaved horse. As the light faded in the courtyard, the wonders of electricity played their part; but apart from this, and the occasional passing jet, the whole evening began to give a feeling for what it might have been like to encounter 13th-century music and drama in the 13th century. Among all the Holland Festival's hit-and-miss experiments, this was one that worked.

There was less baroque music than usual in this year's Festival. But at an important concert in The Hague, the new Harlequin Baroque Orchestra was launched in an all-Breton programme with the Collegium Vocale of Ghent. Ton Koopman directs the band; it is led by Monica Huggett and includes many English players—can it be that we are now catching up with the high standards of Dutch baroque performance? The orchestra played some vivid, rather rushed selections from Rameau's dances for Les Indes Galantes, but the concert was more notable for the choir's accounts of the composer's three rarely-heard motets. Lohorazi clonans was done unaccompanied, with wonderful flexibility and grace; Quam dilecta et in convertendo used the full forces, with soloists (including the counter-tenor David James, Under Philippe Herreweghe's direction) there was none of the too-familiar, insistent, hard-driving baroque style: everything flowed, sensually and expressively. I hope this concert finds a place in Lina Lalandi's next English Bach Festival.

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MAX LOPPERT

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY

Telegrams: FinancTime, London FSA. Telex: 3954871, 353397

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Wednesday June 25 1980

Creating the needed skills

UNEMPLOYMENT RATHER than inflation, could be the Government's most serious economic problem as it returns to face the electorate in 1984, at the end of the present Parliament. The 51,000 jump in seasonally adjusted unemployment announced yesterday, underlines the magnitude of the task which the Government and the nation will have to face in the years ahead.

Concern about the figures is fully consonant with support for the broad thrust of the Government's economic policy. For even though the Government's emphasis on fighting inflation may apparently lead to higher unemployment over the coming months, experience in Britain and every other industrial country shows that the structural dislocations which create unemployment are almost impossible to tackle in a highly inflationary environment. Thus the Government is right to give priority to controlling monetary growth and public spending and to removing the underlying causes of inflation. This does not mean, however, that inflation is the only, or even the most important, cause of unemployment, and that nothing more can be done until inflation is safely under control.

Basic costs

Rising unemployment is a worldwide phenomenon whose roots must be sought in the changes which have taken place in the world economy during the past ten years. It is common knowledge that soaring energy and raw materials prices have altered patterns of demand and the economics of manufacturing processes in deep and irreversible ways. Technical change, and the competition from competitors from the new industrial powers in the Far East, have made much of the Western World's capital stock obsolete. But what is less widely understood is that these irresistible trends have also rendered obsolescent much of the "human capital" represented by the skills and traditions of the labour forces which have worked in the industries which are now in decline.

Adapting this human capital to the new opportunities for profitable employment which spring up as the economic order changes is the great challenge which governments, employers, workers, and unions all over the world must now face. In Britain, where union resistance to change has been singularly strong, where workers have been especially jealous of their traditional skills, where manu-

facturing industry has been unusually dominant, and where its structural decline is now being accelerated by North Sea oil, the challenges of this adjustment are uniquely daunting.

In view of the overmanning which became endemic in British industry during the decades of resistance to change, the present shakeout in the labour market is an inevitable, and in some way reassuring, sign that the Government is in fact forcing this adjustment to the realities of world economic competition to take place.

But the really difficult part of this adjustment is the positive side, which involves the reconstruction of an industrial and service economy that can compete against the world, while employing productively the whole of Britain's labour force. The Government intends to rely on market forces to ensure that capital is channelled into the industries and areas which will play a part in achieving this goal. But in the reconstruction of Britain's stock of human capital, on which much of this physical regeneration will depend, the Government may need to play a more active role.

A greater responsibility for investment in human capital, through retraining and education, arises for the Government in a period of rapid economic change. Individual employers will not always have the incentives to provide the training opportunities which the economy needs, while many of the unemployed are unlikely to possess the necessary resources or knowledge to retrain themselves. Greater efforts need to be made to encourage the unemployed to retrain or relocate into skills and areas in which their labour will be in demand.

Uncertainty

All of these objectives are made more difficult by inflation, which causes uncertainty, reduces investment and forces the Government to restrict its spending, often at the cost of the unemployed, as in the case of the social security cuts. Furthermore, nothing substantial can be achieved by the Government alone. Unions must co-operate fully by abandoning restrictive practices and opening skilled jobs to trainees who have not "served time." Employers must have the foresight, and the incentives, to invest in capital and human resources whose products the world economy will demand. But the Government must not forget that it, too, has a positive part to play.

Revolutions in the making

THE NEWS that has come out of the Caribbean and Central America this month has emphasised as never before that the region is rapidly becoming one of the world's major trouble spots. In the Commonwealth Caribbean three territories have reported serious acts of violence. In Jamaica army officers appear to have been hatching a coup against the Government of Mr. Michael Manley in collusion with a small civilian opposition group. In Guyana the chronic political troubles of Prime Minister Forbes Burnham have been exacerbated by the death in mysterious circumstances of Dr. Walter Rodney, a leading member of the Opposition and an intellectual with a wide following in many parts of the Caribbean.

From Grenada has come news of an abortive attempt on the life of Mr. Maurice Bishop, the revolutionary leader who seized power from the discredited regime of Sir Eric Gairy in a coup d'état on the island last year. The French and Dutch speaking territories are not without their troubles either. In Guadeloupe and Martinique there have been strikes and unrest as protests have been expressed at the form of France's administration of islands which are, in theory at least, departments of the mother country. The continuing exodus of people from Surinam to the Netherlands both before and after the coup d'état against the Government of Mr. Henk Arron has demonstrated that all is not well in that country.

Trigger Happy

The flood of people who have already left Cuba and the numbers of people who appear to have applied for permission to quit and have no immediate prospect of emigrating is commentary enough on the Government of President Fidel Castro.

The Cuban aggression against a Bahamian gunboat, carried out in Bahamian waters which resulted in the deaths of several Bahamian sailors shows that some Cuban air force pilots are too trigger happy for safety.

Less publicised than the Cuban exodus but equally wretched and longer established has been the drift of Haitians away from the regime of the Duvaliers. Such was the hopelessness of life under the Duvaliers, father and son, that tens of thousands of their subjects preferred to cast themselves adrift in open boats rather than remain at home.

No less dramatic is the situation in Central America. The general strike called this week by the moderate and left-wing opponents of the junta in El Salvador and the death toll that so far this year has numbered more than 3,000 people is further proof—if further proof was needed—that that country is in the deepest crisis.

Lessons

To the south in Nicaragua the Government is seeking to establish its own identity and repair the social damage brought about by four decades of rule by the Somoza dictatorship and the physical damage wrought by the ousting of the last Somoza last year. On El Salvador's northern border lies Guatemala where in terms of bloodshed and unrest the situation is becoming as grave as it is in El Salvador.

The lessons to be drawn from this catalogue of disorder are not far to seek. The principal one is that the worst trouble and unrest have come from countries where political and economic progress has been blocked by rigid, unyielding governments which have been deaf to popular demands for change.

This is, in the first instance, a task for the U.S. which has for some decades past had a pre-dominant influence in the region. President Jimmy Carter has sought to improve the processes of policy making with regard to the region and the fruits of Mr. Carter's interest and initiative should in due course be manifesting themselves.

But Britain, France, the Netherlands and the EEC as a whole must also urgently reassess and strengthen their policies towards an area which is becoming increasingly turbulent.

WHAT KIND of man is it who with a few weekend phone calls can, on his own account, summon up £200 million to spend first thing on Monday morning? That is what Sir Yue-kong Pao, the shipping magnate, has just done to the amazement even of fellow mega-millionaires in Hong Kong.

Pao family interests, acting through merchant bankers Wardley, shelled out HK\$ 2.3bn on Monday morning in a daring raid to boost holdings controlled by them in the Hongkong and Kowloon Wharf and Godown Company from 30 per cent to 49 per cent and thwart a slower moving offer announced on Friday by the Hong Kong Land Company to raise its stake to 49 per cent.

The war for control of Wharf may not be over yet, but Sir Yue-kong has won a major battle and humbled the "princely Hong," otherwise known as Jardine Matheson, which is closely linked to HK Land. Jardines wanted to prevent Sir Yue-kong from gaining control of Wharf, traditionally one of its own satellites.

No one ever doubted that Sir Yue-kong was rich. His World-Wide Shipping group has for several years made him the world's largest independent shipowner. Nor did anyone doubt that he had friends in high financial places. For a start, he is deputy chairman of the Hongkong and Shanghai Banking Corporation and a major and long valued client of the Industrial Bank of Japan and Chase Manhattan Bank, among others. Even so, his raid was breath-taking.

The size and the daring of the thrust seemed to fit only with the character of Hong Kong's spritely stockmarket and with the dash and glamour that so often surrounds shipping magnates. But in fact both are of character. Nothing could be further from Pao the man and Pao the businessman than the high stake gambles and international jet-setting image often associated with other shipping names like Onassis and Nearchos. The difference may explain why Pao found such ready access to instant cash.

Pao started life as a banker. From his courteous relaxed manner to his well-cut but inconspicuous suits he remains the very image of a banker. He works long hours, keeps fit by swimming, does not smoke or drink. But he lacks the intensity, and perhaps the ruthlessness of many of his fellow Hong Kong billionaires.

He has always consciously run his shipping business like the banker he is—seldom taking risks, matching ship buildings to charters, favouring low but secure returns. He is remarkable not so much because of his wealth but by the fact that he was knighted (in 1978), was the first Chinese to join the board of the Hongkong Bank, and is



Sir Yue-kong Pao: his World Wide Shipping group has made him the world's largest independent shipowner

the chief spokesman for Inter-tanko (the organisation of independent tanker owners) in the struggle against Third World countries over demands for a share of the world's cargo trade.

It is perhaps uncharacteristic of Pao that he should have become involved in such a public contest over Wharf and found himself bidding a very high price indeed—the yield on his new Wharf shares will be only 1.3 per cent at a time when money in Hong Kong is costing 13 per cent. Maybe Pao is more at home on the water than on land.

This is his first significant venture outside shipping. Whether his move on to and into land stems from concern about the long-term future of independent shipowners, a change in attitude to the future of Hong Kong itself, or simply a desire to have more presence in Hong Kong is not clear.

Chinese faith in fixed and tangible assets has in Pao's case always been tempered by war-

Pao works long hours, keeps fit by swimming, does not smoke or drink

ness of political risk. That, it is said, is why he got into ships in the first place—a fixed asset but one which could be moved out of reach of revolutions.

Born in 1915 in Ningpo, Pao comes from a Shanghai banking family which lost much but not everything when the Communists came to power in 1949. By then Pao had left for Hong Kong. He did not buy his first ship until 1955 and it was only in the late 1960s that the explosive expansion of his ship-

ping empire began. Pao established himself as the key financial intermediary between shipping lines on the one hand and bankers and builders on the other.

The basis of his success was the shikmuisen deals with Japanese lines, mainly Japan Line and Sanko. Shikmuisen, which means "switchback" was a technique which helped the dramatic expansion of Japanese shipping companies through long-term charters with foreign—mostly Hong Kong—owners. Foreign ownership and usually Liberian registration enabled the lines to use cheaper crews than available in Japan. As important, it gave Japanese lines indirect access to advances of cheap credit available from Japanese yards to foreign owners. It enabled their operations to expand faster than their capital bases. And there were no worries about tax, Hong Kong in effect does not tax shipping profits.

Clearly, Pao is very wealthy. But the HK\$2.3bn payout to add to his Wharf stake is huge even by his standards. He must now have spent, at the very least, HK\$3.5bn for his 49 per cent of a company which this year will probably earn him his company dividends of a mere HK\$30m. Why did he do it?

Clearly Pao is not moving out of ships. In the past year, World-Wide has been on another buying spree. It now has orders on hand for some 40 ships totalling 2.4m tons. But at least half are dry cargo rather than tankers. More important, the shikmuisen system is on the decline and Pao has had to broaden his chartering scope and rely less on cosy relationships with a few Japanese lines. Meanwhile profits have been growing only slowly—by 9 per cent for Eastern Asia last year.

Whether his acquisition of

dustrial Bank of Japan, Pao, the IBI and the Hongkong Bank together own World Finance International, the group's financing arm.

How much Pao's shipping empire is worth is far from clear to an outsider as most of it is held by private companies. The group fleet now totals about 20m gross tons. Of this roughly one third is held by the two quoted vehicles Eastern Asia Navigation and World International. Together these two have gross book assets of about HK\$5bn and net assets of about HK\$1.4bn. They made HK\$255m between them last year. If they are representative of the group as a whole it would indicate—to use very rough figures—gross book assets of World-Wide of HK\$15bn, net assets of HK\$4.2bn and profits last year of HK\$750m, more than half of which would be attributable to Pao and his family.

Clearly, Pao is very wealthy. But the HK\$2.3bn payout to add to his Wharf stake is huge even by his standards. He must now have spent, at the very least, HK\$3.5bn for his 49 per cent of a company which this year will probably earn him his company dividends of a mere HK\$30m. Why did he do it?

Clearly Pao is not moving out of ships. In the past year, World-Wide has been on another buying spree. It now has orders on hand for some 40 ships totalling 2.4m tons. But at least half are dry cargo rather than tankers. More important, the shikmuisen system is on the decline and Pao has had to broaden his chartering scope and rely less on cosy relationships with a few Japanese lines. Meanwhile profits have been growing only slowly—by 9 per cent for Eastern Asia last year.

Whether his acquisition of

Wharf shares was motivated by a desire to diversify, or a need to make his mark in Hong Kong itself as well as in the wider world is not known. Pao's first move into Wharf was in 1978. He bought about 17 per cent of it off Cheung Kong, the company headed by Mr. Li Ka-shing, the king of Hong Kong property developers, and the man who last year gained control of the previously European-run trading and property giant Hutchison Whampoa. Mr. Li had bought his Wharf holding through the market but decided that gaining control of Wharf

Jardine and their ilk have been taken down a peg by a Chinese entrepreneur

would be too difficult and costly and so sold out when Pao emerged as a buyer. Established European interests breathed a sigh of relief thinking that the conservative Pao would be a more comfortable bedfellow than the thriving, ethnically conscious Mr. Li.

But it soon became clear that Pao had, quite reasonably, no desire to sit back while others ran the company in which he was the biggest single shareholder. Pao continued buying in the market aiming to increase his stake till he had effective control. It was an expensive business. The competition between Pao and the Jardine camp was plain to see. Meanwhile, prices of that scarcest of Hong Kong commodities, land, were soaring. Wharf's attraction is a massive bank of

former dock land at Tsimshatsui on the tip of the Kowloon peninsula. For anyone wanting to move into property in a big way, it was an unrepeatable attraction.

Judging by recent land auctions, this area has the world's second highest priced land, beaten only by Hong Kong Central district. The Tsimshatsui, second is HK\$ 16,000 a square foot. HK Land and Jardine seem to have been slow to wake up to the Pao threat. They were constrained in meeting it by shortage of cash for buying in the market. But late last year they moved to shore up their position by placing most of their combined holding in Wharf into HK Land.

At that stage there was still a strong possibility that the skirmishing would never lead to war. Because proposals were about to amend Hong Kong's takeover code to require a full bid, when an interest reached 30 per cent. No group in Hong Kong seemed to be in a position to make a full bid at the prices then prevailing. The shares that Li Ka-shing had bought for less than HK\$ 20 in 1978 were recently trading in the HK\$ 65-75 range.

Tightening of the takeover code was opposed on the grounds that it was designed to stop Chinese gaining control of European-run companies.

When it became clear that the rule would not be changed in the near future, HK Land moved to try to stop Pao's creeping acquisition by making its offer for Wharf shares. In fact, that preempted Pao's dramatic Monday "grab it while you can" cash offer.

Pao appears to have won. But with the UK and U.S. recessions likely to impinge on Hong Kong before long, it may prove a pyrrhic victory for the normally cautious banked Pao. It has also left a sour taste that Pao would have preferred to avoid. With no prospect of a full bid materialising, the share price is likely to slump, embittering those who could not or were not permitted to take advantage of the two-hour offer. Anxiety has been aroused by the decision of Pao to ignore a demand by the Securities Commission Takeover Committee to make a full bid for Wharf. That a man of Pao's standing, the deputy chairman of the Hongkong Bank, and advised by the bank's merchant banking arm, can so brazenly ignore the regulatory authority set up by the Government has caused anger. It is no wonder, that many still believe an old Hong Kong adage that "Hong Kong is run by the Jockey Club, the Hongkong Bank and the Governor—in that order."

But one aspect of the adage is changing. Jardine and their ilk have been taken down a peg by a Chinese entrepreneur. And that cannot be unpopular with the majority of Hong Kong's 4m Chinese.

MEN AND MATTERS

Bailing out the dredgers

When I spoke to Fane Vernon in February on his appointment to the chair of storm-tossed British Dredging, he spoke boldly of applying "a firm grip and a fine toothcomb" to the company's affairs. In the event, his first four months appear to have been absorbed in the application of less refined management tools—a fire hose and dustbin.

"I have been putting out life fires I found smouldering," he said yesterday. "We have written off all the rubbish and now the shareholders will be able to see the state of the company unhampered by previous errors."

Evident in the accounts is a group loss, the sixth in succession, of £223,000. But the indomitable Vernon has plans to build the company back to strength on its foundations of sand and gravel.

The next task is to gain management control of a 50 per cent owned French-based dredging company which last year cost the group £100,000 in losses. Engineering interests have been close to the brink of closure, leaving Vernon in charge of six wholly-owned companies of which four are profitable.

An intriguing entry in the accounts shows exceptional items totalling £50,000, of which some £42,000 is described as "provision against certain amounts estimated to be due by former chairman and chief executive" Bryan Clark. Moves to recover this, Vernon said, are "imminent," as are plans to recover some £400,000 outstanding since 1978 from a Jersey-based company. And to keep the money coming in, schemes are also afoot to dispose of up to £750,000 worth of assets, including property and possibly part of a subsidiary, without, the chairman stresses, impairing the overall prospects of the group.



"I think it measures the rainfall on the court."

That done, Vernon reckons he has about four years to dredge up the funds to replace three ships operating in the Bristol Channel which he says are still seaworthy but "getting on a bit."

Summit treat

Patrons of the de luxe Grand Ankara Hotel in the Turkish capital reeled yesterday at the sight of the bar brimming with imported Scotch, gin and liqueurs for the first time in months. Previously the stock of non-Turkish liquor consisted of half a bottle of apricot brandy and two measures of an obscure brand of rum—evidence of the disastrous depletion caused by a ban on imports of alcohol and coffee, luxury items both, to save foreign currency.

A chat with the barman revealed, however, that the drinks had been supplied by the Government for foreign visitors attending or reporting on the NATO Spring meeting which convenes in Ankara today.

"Drink now because we'll be back to the local booze as soon as the conference ends," said the barman, "we have stocks for three days."

Other hotels and restaurants in Ankara where foreign visitors are likely to stay or sup have also been supplied for the occasion, while at the State Highways Department, whose employees have been given three days off while their offices serve as a Press centre, the Ministry of Customs and Monopolies has set up a duty-free shop, where thirsty journalists will be able to buy refreshment by the bottle.

Oar restored

On the express orders of Mr. Justice Sheen, I bear, an ancient symbol of authority has been brought out of retirement and reinstated in the High Court. Delegated to a display case in the Royal Courts of Justice more than ten years ago, the Silver Oar of the Admiralty Court was to be seen this week resting in state on a rack in front of the said Justice.

Today's version of the oar, which was first adopted as court mascot around 1480, is solid silver and embossed with the Royal Arms of the Tudors, garters, coronets and a foul anchor. Formerly brought into the court for all Admiralty cases, the oar also had many an outing in the early proceedings which test pirates and mutineers to the gibbet. Which makes me wonder whether wartime corvette commander Mr. Justice Sheen has a mind to revive other court traditions.

Making a killing

Clapping their hands together—not for joy, but money—the people of Apucarana, a poor rural region in Brazil, have taken to the fields in pursuit of pests which add pain and discomfort to their daily burden.

With the mosquito season at its height, the locals have been asked by the National Allergy

Centre in Rio to kill and deliver as many culicis mosquitoes as possible to researchers who need them for manufacturing anti-allergic serum. To encourage bunters, the centre is prepared to pay £2 a gram for the squishy raw material, on condition that it is free of insecticide; hence the clapping sounds.

Although this is hardly easy money, since culicis come 800 to the gram, the people have taken to the task with a will. With few other job opportunities, swatting flies for a fee is patently preferable to sitting idle and being bitten.

Standing fast

Does the Council of Engineering Institutions know something we don't, or is it just plain optimistic? While the world waits to see what Sir Keith Joseph plans to do about the recommendations of the Finlinton Report on the engineering industry—he says he aims to decide this summer, and the Civil Service is pressing for action before the recess—the council is clearly undismayed by suggestions that it should be disbanded and its functions absorbed by a greater Engineering Authority. In a show of confidence it has sent members an order form for the CEI diary for 1981 (its first, incidentally), with a note from executive secretary Denys Wood declaring defiantly: "Nothing in the Finlinton Report makes us think that we should not pursue this idea."

Enriching

Parishoner to vicar: "I hear you had burgers last night. Did they taste much?" V to P: "Hardly anything. The police tell me be was looking for money, and I must say that's the nicest compliment anyone has paid me in years."

Observer.

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هاتف من الشمال

Why Russia is stuck in Afghanistan

BY DAVID HOUSEGO

WHAT EVER HAPPENED to the battle of Kabul? A pro-Soviet commentator asked last week. He was right to put the question.

A fortnight ago a number of Western papers carried stories on their front pages of insurgents massing in the hills for an attack on the Afghan capital. There was speculation about whether an all-out battle for Kabul was about to begin. The reports would seem to have originated from the American embassy in Kabul—whose diplomats, like those of all Western missions in the capital, are forbidden to stray beyond the city limits—and then to have been relayed to the American embassy in New Delhi.

In the event, as Mr. Guenter Leuchner told listeners on East German Radio, "there was no battle of Kabul." But nor was it "all a lie" as he maintained. There was increasingly heavy fighting in the Paghman mountains to the west and north of Kabul as the guerrillas stepped up their activity and the Russians tried to flush them out. The Russians even gave an implicit warning to villagers to leave the area when the Ministry of the Interior (a ministry directly under Russian control) announced through Kabul Radio that between June 10-17 there would be firing from heavy and light guns in the Paghman region.

It is the mounting pressure from the insurgents not only in the Kabul region but throughout the country, that makes impossible a genuine Russian withdrawal (unlike that announced on Sunday) that would not also be taken as a Russian defeat. Far from Afghanistan returning to normal as Mr. Brezhnev was telling the Soviet Union at a Communist Party Central Committee meeting in Moscow on Monday, the Russians face two main challenges.

The most serious is in the

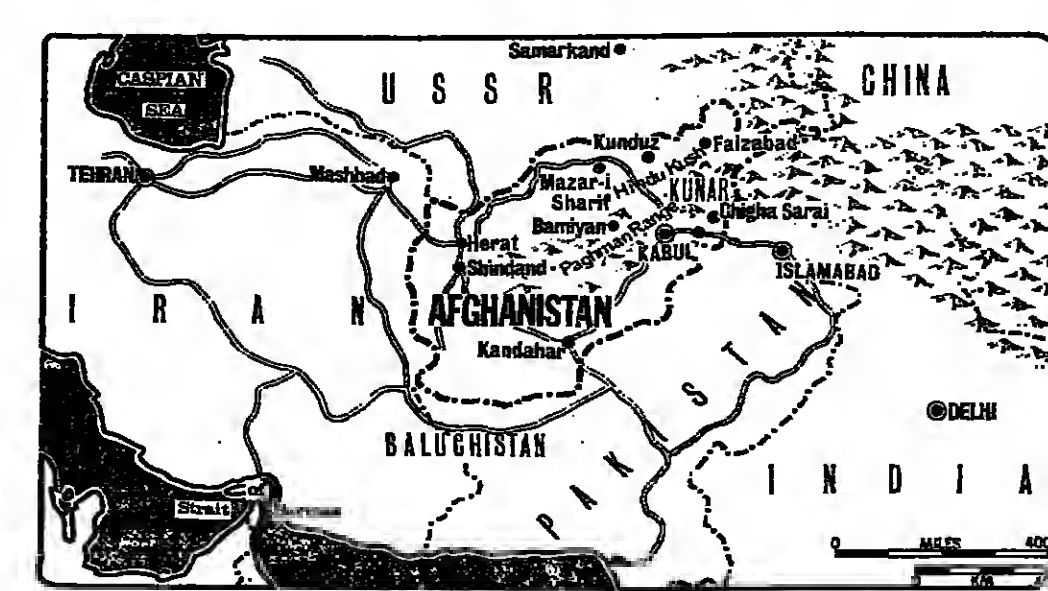
towns—the small provincial centres whose bazaars and mosques provide a much-needed market place in a land where the implacable hostility of mountainous desert.

Day the Russians are defied by shepherds pulling down their huts, by street processions, as in Kabul recently, when ten girls students burst into the Russian troops, and by insurgents moving easily through the towns at night since they enjoy the virtual unanimity of the reaction that has created that amounts to a nationwide opposition, which draws to country together, irrespective of the bickering among these-called insurgent leaders based in Peshawar in Pakistan.

In Kabul itself the Russians maintain control because of the weight of armour with which they have riddled the city and their determination not to lose their grip on the capital. But in Herat and Pindhar on the southern fringe of the Hindu Kush, the insurgents regularly take over before the Russians reassert themselves in a fresh display of martial law.

The second main challenge to the Russians is through the power of the insurgents to threaten them at almost every key point—on the roads down which they must carry their equipment and supplies, the power plants and transmission lines, the police posts and government offices needed to keep up a semblance of administration. The Russians feel safe only in their well-fortified barracks.

For the Afghans who have been ready to work for them, not even that security is available. Selected teachers and local officials have been systematically eliminated in what is



a carefully worked-out campaign to deter collaboration. Desertions have reduced the 100,000-strong Afghan army to a force of probably 20,000.

Repeated announcements over Radio Kabul calling on those eligible for conscription to enlist, coupled with continuing reports of press gangs forcibly carrying young men off to the army, suggest that the Russians are having no luck in trying to build up a locally recruited force.

But what the Russians have clearly not expected—and nor indeed did many in the west—was the scale of resistance. Afghan tribesmen and villagers have picked up their rifles and challenged Russian tanks and armoured personnel carriers (APCs) with the same determination that they threw into attacking a British infantry column 100 years ago.

The Russians have no answer to this popular war in which

martyrdom has become an accepted price, except to send in their helicopter gunships to clear a strategic valley only to waste villages. In Konar province on the Pakistan border they have devastated a large tract of land in an attempt to diminish cross-border traffic. Last year in Paktia province they attempted a major sweep using tanks, APCs and artillery to clear a strategic valley only to find the insurgents returned after they had left. Afghans have been said to complain to Pakistanis that the Russians are unwilling to fight a "man's war" because they refuse to get out of their armoured vehicles. On the last resort these enable them to reassert control over whatever lines of communication they choose, but not necessarily to retain them.

The so-called battle of Kabul is a reminder that the U.S. has a propaganda interest in making the most of the Russians'

difficulties. But it also provides a cautionary warning about the limits of Western intelligence in obtaining up-to-date information on what is happening in so vast and inaccessible a country—notwithstanding satellite reconnaissance or the continuing flow of people across the Afghan border. Reliable information is hard to come by from the sparsely populated central mountains of the Hindu Kush, the western region around Herat where Iran bars foreigners from the border and the northern plains that adjoin the Russian frontier. These areas account for most of the country.

But if information is limited, there is even more uncertainty about Russia's military goals. At the time of the invasion in December it was fairly clear that these were to provide sufficient backing for the Babrak Karmal regime to enable it to survive in the short-term—and in the long run to pacify the country, with Russian

troops preferably providing a support role in garrisoning key installations.

But the Russians are now faced with a population seemingly prepared to lay down their lives on a scale that amounts to collective suicide. This may sound exaggerated but the fact that their problems may not go away until they have killed a large proportion of the population—with all this means for their relations with the Muslim world, the impact on Russia's own Muslim population, and the Soviet Union's relations with the ethnic groups of Turkmen, Pathans, Baluch and Turkish-speaking people who inhabit the region south of their borders. And this tally leaves out the repercussions on Russia's relations with the West or the non-aligned.

The tactical choices of whether to step up the number of troops or withdraw them in response to particular events like the Venice summit or the Moscow Olympics pale beside this long-term nightmare. That the Russians killed massively to establish their control in Central Asia in the 1920s is not a valid comparison with the international circumstances of today.

The Russian dilemma also creates uncomfortable choices for the west and for Russia's neighbours. Only a limited amount of sophisticated equipment has so far reached the insurgents—if there had been more the Russians would have been inhibited in providing arms because of the risks of needlessly provoking the Russians—and in the case of Pakistan of precipitating Russian reprisals across Pakistan's border. But now that the Afghans are setting an example of resistance to Soviet rule that could have repercussions in Eastern Europe or the Muslim republics of Central Asia, at the same time

weakening the Soviet system through the drain on its resources, it becomes more difficult to ignore the insurgents' demands for arms.

There is no sign that the Russians will back down in the face of this pressure. Almost the opposite seems true in that the Soviets seem to see a challenge to their very system in the resistance in Afghanistan. The most telling sign of this were the comments of Mr. Narasimha Rao, the Indian Foreign Minister to the Indian Parliament, on June 17 after his return from a visit to Moscow. India is an ally of the Russians but because of the politics of South Asia, it wants to see Russian troops off the subcontinent.

Mr. Rao said that the chance of Russian troops remaining only a limited time were now "not very strong." He also conjured up what is India's nightmare—that the presence of

suggestion) or in which the former King, Mohammed Zahir Shah, returns to power as a leader acceptable to both the Russians and the Afghan people (another suggestion). The intensity of the conflict polarises the choice between an Afghanistan that is a Soviet satellite and an Afghanistan that is a militantly Muslim tribal society. The Russians would not feel comfortable with the latter.

In these circumstances, with the Russians increasingly feeling boxed in, and blaming foreign powers for their troubles it seems inevitable that the pressure on Afghanistan's neighbours will grow. The Russians seem reluctant to cross swords with Iran under Ayatollah Khomeini.

But they have been stepping up their propaganda against Pakistan (alleging, for instance, that Karachi is being used as a transshipment base for U.S. arms to Afghanistan), increasing the number of incursions into Pakistani air space and keeping nerves on edge in the frontier province by explosions that are clearly the work of infiltrators.

In the long run the compensation the Russians hope to gain for being bled in Afghanistan is to entrench themselves in a position of power that will enable them to dominate South West Asia. This would include both the power in threaten Iran and Pakistan, and the power to exert pressure over the allocation of oil supplies from the oil-producing states of the Gulf.

A potential shortage of oil is one of the major long-term fears of Soviet planners. The Russians may have concluded that a combination of military muscle and the annexation of Afghanistan is the best way to ensure they get their share of what is available in the Middle East.

The Russians have no answer to this popular war of martyrdom

Letters to the Editor

Insider dealing by Government

From Miss M. Williamson

Sir—As one of over 100,000 small shareholders in Burmah Oil, I may I add a few comments to Barry Riley's review (June 21) of the current position. Having attended every AGM of Burmah and Burmah Shareholders' Association since the crisis of 1975 and since the crisis of 1975 and since the crisis of 1975, I am surprised to see, or hear, so little adverse comment on such a flagrant case of profiteering publicly expressed by any of the big financial institutions associated with Burmah or the affairs of its individual shareholders, or concerned about the precedent set by this share transaction, any comment being usually feeble or nebulous in the extreme.

I would very much like to know what the Stock Exchange Council has had to say to the Bank of England and/or the Treasury on this subject (I understand that under the Bank of England Act, 1946, the Bank is under Treasury control). Obviously, the Stock Exchange Council has no power to give orders to the Government, but surely it can make some urgent comments? On page 16 of the same issue of your paper I have some nice drawings illustrating cases of "insider dealing" under the 1980 Companies Act. Don't you think the transfer of Burmah's stock was a good example of insider dealing by the Government and the Bank of England in collusion? And Sir Grey Howe, now Chancellor of the Exchequer, actually did the Fair Trading Act which was Consumer Affairs Secretary!

regards Burmah having still long road to go, while they wait for the legal case to be taken to court in 1981 (only 18 months after the disposal of BP shareholding), may there not be a short cut which Burmah could take? You may have noticed that Sir Eric Yarr is considering taking the Government to the European court over delayed compensation for nationalisation. Yarr's shareholders in 1977 (for which he has waited only three years so far), on the sensitive grounds that arbitration is a long-winded process, deprecate the value of any settlement reached. The same arguments surely also hold good for Burmah, where time is passing, especially, and in Burmah the astronomical rise in value of the BP stock of oil inflation and the peculiarities of the oil market, surely it is in the Government's interest as well as a matter of honour for them to settle this matter quickly, out of court.

(Miss M. Williamson, Small Shareholders, 5, East Clee Road, Edinburgh, Scotland)

Pressures of modern life

From Mr. J. D. Stone

Sir—Recent discussions about the credit poles of some large firms remind me of an incident when I was manager in charge of a firm selling Shell products in East Anglia twenty years ago. I accompanied one of my salesmen on a long established firm in Cambridge that sold (and then serviced) lawn mowers most of the colleges of the University. We supplied mowers to this

customer but our mission on this particular call was to try and collect an account from him outstanding for nearly a year. This he paid. But his explanation for the delay he put down to the quaint payment policies of the colleges. "You see," he said, "the colleges only settle their accounts with me once a year. So my business is geared to their system. I just add 15 per cent to all my bills to pay for this convenience and everyone is happy. So my account settlement with you must match the settlement date of the colleges."

This seemed to me to be a splendid justification for my being paid just so long as everyone along the line was tuned in the same business cycle.

Unfortunately today companies have employees and suppliers who in turn have employees and suppliers who are not quite so well insulated from the pressures of this modern life as the rich colleges on the Cam.

John Lidstone, 34 Tavistock Road, Fleet, Hants.

Selling off Ferranti

From Mr. R. Hordie

Sir—In the sort of campaign presently being waged over the proposed disposal of the National Enterprise Board shareholding in Ferranti issues necessarily become simplified, the fine detail of the overall picture is lost and some unlikely alliances emerge. I would in no way wish to question the accuracy of the letter June 18 from Messrs. James and Grunberg of Marconi Space and Defence, which is an understandable response from managers at an expanding and successful part of the CEC organisation. But would like to quote from the Labour Research Department's company information service on the General Electric Company.

"Before the merger the three companies employed a total of 265,000 people throughout the world, in 1978/1979 this figure has been reduced to 152,000, a loss of 83,000 jobs almost all of them in the United Kingdom. Meanwhile profits have risen to record levels in spite of the difficult market conditions facing the company." That is, as the Jones/Grunberg letter bears witness, not the whole story, but has to be set against their success in their genuine concern for "social responsibilities" and "expanding job opportunities for young people." Questioning their good intent or that of Lord Weinstock, Lord Nelson or Sir Kenneth Boyd would be to trivialise and personalise a serious debate.

The logic of a rationalisation of the electrical electronic industry in Great Britain based on the pursuit of profit has led directly to job loss and to withdrawal from, and retrenchment in, critical, strategic areas of engineering, and unless another sort of rationalisation directed towards a planned expansion of total engineering output and employment takes place, we will see years from now be weighing in the balance job loss in Trafford Park and Woolwich against job creation in Tilford. The locations and industries may be different but the problems will remain. A massive programme of public investment in manufacturing industry is necessary if we are to avert its decline—1.15m jobs lost since 1970. Disposal of the NEB shareholding in Ferranti would be one small step in exactly the wrong direction. In 1973 the then chairman of that company Sebastian de

Ferranti said "Becoming enthusiastic about the technology of real economy can be commercially very dangerous. On the other hand it might be very profitable to study and design in anticipation of the trend in small steps. The biggest obstacle is not the technological problems but the nature of the economic system, market forces, and vested interests."

I am heartened by such heresy and ten years on comment it, together with the TUC's alternative programme outlined in its 1980 Economic Review to Britain's captains of industry and has hopefully to the Cabinet.

R. J. Hardie, (Executive Council Member, Amalgamated Union of Engineering Workers, Technical, Administrative and Supervisory Section), 21, Cambridge Gardens, Edinburgh, Scotland.

Inaccurate tax assessments

From the General Secretary, Inland Revenue Staff Federation

Sir—The letters from Messrs. Penwill and Talbot (June 23) call for a response. The PAYE Schedule E system covers 27.4m employees—just over 1m employers. It requires under the present (and in my opinion inadequate) arrangements the issue of 8m tax returns and 3m assessments. There are 9.2m "job changes" (i.e. people leaving one job and is due course taking another) and 5.6m tax repayments each year.

Perhaps these statistics give some idea of the scale of the operation which as I said June 12 has been seriously neglected over the year both inside and outside of the Inland Revenue. I once overheard a senior Revenue man counsel another, rather less exalted, against moving into Schedule E/management because "it's not his real work of the department, is it?"

This has been the sorry story of much of my life. The record shows, year after year, suggestion, complaint, protest from the Inland Revenue Staff Federation over the persistent propensity of Governments to run the machine to unsafe limits and always to under-staff it. The current arbitrary cuts may wreck it altogether.

It is, then, hardly strange that for example, giving incorrect relief for building society interest was the most common error in 1979-80. This appeared in one in four such codings where there was entitlement to the relief. Building society rates changed three times in 1977 and three times in 1980.

So I am not at all surprised by the errors—only by the wholly damaging way in which the board of Inland Revenue has so far handled the matter. That said, the IRSF is now anxious to know what is to be done. All we have heard is that 60 inspectors of taxes will be diverted to examine the work of PAYE staff. Like Mr. Penwill, our masters seem to want to put the blame on those who are least culpable. We do not accept this blame.

eWa re, however, willing to share responsibility for putting things right. I have already indicated very recently to Sir Geoffrey Howe that we will co-operate in sensible arrangements for quality control and for reviewing the cost effectiveness of procedures. Inter-alia

"sensible" must embrace an acknowledgement that the approach is not exclusively the current one designed to cut staff. If more staff are needed to do a necessary job to an acceptable standard, those staff should be forthcoming. What is more, the public should be told what that "acceptable" standard is. Tony Christopher, 7, St. George's Square, SW1.

Musical cuts at the BBC

From the General Secretary, Musicians' Union

Sir—In the correspondence on musical cuts at the BBC, readers will judge for themselves whether Mr. Singer (June 19) has disposed of the very serious questions arising from the BBC's widely condemned attack on the music profession by describing them as "rhetorical."

The discussion is not made easier by his odd use of language. "We are sorry that some full-time jobs for players will go. This is not the same as putting the 172 musicians out of work." It is, however, the same as putting 158 musicians out of work, this being the number of those who have, as he admits, received notices of dismissal. The statement that "30 are eligible for premature retirement" merely means that they are over 50 years old.

Similarly misleading is the statement that central administration is taking cuts of up to 15 per cent. When the director general of the BBC publicly announced the present measures on February 26 (2 days before informing the relevant trade unionists) he stated that they would "lead to the loss of about 1,500 permanent and temporary posts... (but) many of the posts can be saved either by abolishing some of those which are vacant, or by early retirement, or by natural wastage."

I cannot rule out some redundancies. However many it is, they will be a disaster for the music profession, but we shall make every effort to keep them to a minimum. The exceptions to this comforting approach were the musicians, who were—and still remain—the only people specified for immediate dismissal.

It would be tedious to detail all the inaccuracies in Mr. Singer's letter (this union has accepted the necessity of taking a fair share of economies, has put forward valid proposals, does have an agreement of the type outlined in my earlier letter which the BBC is breaking, etc.) but attention should be drawn to the peculiar interpretation of the licence fee that he expresses. Does he really suppose that successive Governments, in raising the fee, have been unaware that the BBC employs musicians? Does he, for example, think that when the Home Secretary announced last November the largest cash increase in the history of the licence fee, that he had failed to take into account the BBC's responsibilities—as the largest user of music—for the employment of musicians? By what logic does he classify the cost of musicians as an extra cost, needing some special addition to the licence fee?

I suspect many readers will share our view that there are far better candidates for "premature retirement" than BBC musicians.

John Morton, Musicians Union, 66-62 Clapham Road, SW9.

Today's Events

Annual report of Church Commissioners. Bill, report. Coroners Bill, committee. EEC (Definition of Treaties) Order. Insurance (Transfer of General Business) Regulations. National Radiological Protection Board Order. Short debate on oil spills in North Sea. Select Committees: Education. Subject: Courses in higher education. Witness: Mr. Mark Carlisle, Education Secretary (Room 6, 10.30 am). Foreign. Subject: Supply estimates 1980-81. Witness: Foreign Office, British Council (Room 15, 10.30 am). Energy. Subject: Isle of Grain Power Station. Witnesses: General and

Municipal Workers Union (Room 3, 10.45 am). Industry and Trade. Subject: Import and export trade. Witnesses: Scotch Whisky Association (Room 16, 10.45 am). Transport. Subject: The Roads White Paper. Witnesses: Department of Transport (Room 17, 11.30 am). Public Accounts. Subject: National Enterprise Board Accounts 1978 (Room 16, 4 pm). Employment. Subject: Manpower Services Commission's Corporate Plan 1980-84. Witnesses: Mr. James Prior, Employment Secretary (Room 10, 4.45 pm). Transport. Subject: Channel Link. Witnesses: Professor Christopher Foster (Room 6, 5 pm). COMPANY MEETINGS See Page 25.

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Ferranti profit up 12%: rights to raise £21.3m

TOGETHER WITH the announcement of a 12 per cent profit rise to £11.2m for the year to March 31, 1980, the directors of Ferranti are also proposing a one-for-one rights issue at 100p per share to raise £21.3m.

A final dividend of 4p per 50p share is being recommended lifting the total from 5.75p to 6.9p and the board expects that the total dividend for the current year will be not less than 6p on the increased capital.

The rights issue is in view of the number and scale of capital projects currently envisaged and the additional working capital requirement which will accompany the projected increase in activity.

The directors are also concerned that the cost of a substantial increase in borrowings at current rates of interest would act as an unwelcome brake on profitability and earnings.

Over the last five years, the group has financed capital expenditure out of internal cash flow and proceeds of disposals and increased borrowing and leasing. No further substantial disposals are anticipated, the directors state.

The National Enterprise Board, which holds 50 per cent of the Ferranti capital, has obtained the necessary authorisation to subscribe for its entitlement to the new shares from the rights issue, and intends to vote in favour of the resolution to increase Ferranti's ordinary share capital.

The directors say the profit increase in 1979-80 was reduced by sharply higher interest charges and by further losses in the transformer division prior to the September decision to close it down. In addition, strikes are estimated to have reduced net profits by no less than £2m.

The estimated losses, whether incurred or anticipated, of the transformer division from early September and other costs consequent on the closure are £5.4m. The costs which remain to be incurred up to December 31, 1980, when manufacture is planned to cease and which are included therein are estimated to be £3.5m, of which £1.8m relates to redundancy and other termination costs and £1.7m to losses on completion of contracts.

The completion of contractual obligations under close conditions remains uncertain as regards timing and costs. The directors consider that this total provision, which is based on information currently available, is prudent.

Total group turnover increased by 12 per cent to £216m. However after excluding activities sold or

closed during 1980, turnover of the continuing businesses increased by 38 per cent.

Stated earnings per share at the year-end were 47.85p against 42.23p.

The outlook for trading in the principal operating divisions suggests that the current financial year should produce a material increase in activity.

The group has record levels of orders, many of which are in respect of long-term business which provides a solid base for future years.

In anticipation of a projected sales expansion, production facilities, together with the associated testing and research equipment, have been extended or are in the process of being extended.

Capital expenditure of £19m is planned for the current year including new building and plant re-equipment at Cwmbran and Birkbeck and enlargement of production capacity at Wyben-shaw, Cheddle Heath and in the Scottish division.

Subject to stockholders passing the resolution to increase the authorised share capital, provisional allotment letters will be posted on July 25, 1980 for acceptance and payment in full by August 15, 1980 and it is expected that dealings in the new Ordinary shares will begin on July 28, 1980. Brokers to the issue, which is not being underwritten, are W. Greenwell and Co. and Tilney and Co.

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R. Paterson falls to £537,000

Before-tax profits of R. Paterson and Sons, manufacturer and distributor of coffee and chicory essence and food products, fell from £780,000 to £537,000 in the year to March 29, 1980.

The figure was struck after interest of £506,000 (£322,000) and associated companies' profits of £28,000 (£327,000). The tax charge fell from £390,000 to £286,000.

After an extraordinary debit of £54,000 (nil), attributable profit was down to £197,000 (£390,000).

Turnover for the 12 months increased to £17.23m (£16.57m).

At the interim stage pre-tax profits were £210,000 (£182,000). The directors say that the anticipated lack of growth of the UK economy during 1980, together with continuing high

inflation, rapidly increasing costs of energy and high interest rates, all point to 1980-81 being another difficult year for many companies.

In such an environment they have embarked on a total re-examination of current group policies, attitudes and objectives in order to emerge more efficient and more profitable.

A final dividend of 1.41p net (£2.3375p) makes the total 2.035p (£3.375p).

Earnings per 25p share are given as 3.08p (£4.79p).

Control Secs. leaps to £0.5m

A JUMP from £100,858 to £354,131 in the second half boosted taxable profits of Control Securities, property concern, to £502,145 for the year to March 31, 1980, compared with £141,085 previously.

Turnover of the group, which is a subsidiary of Labofund AG, of Switzerland, surged to £1.58m (£0.79m).

The directors forecast in November, that second-half profits would exceed those for the first six months, taking into account developments due to maturing in the period and anticipated profits from acquisitions.

The net total dividend is stepped up to 2.1p against an adjusted 0.8627p, with a final of 1.4p. A one-for-10 scrip is also proposed. Stated earnings per 10p share are up from 1.94p to 4.45p.

Net profits emerged well ahead at £354,053 (£137,827) after a tax charge of £148,092 (£3,258).

The directors say the group's financial strength increased during the year. At balance date shareholders' funds were in the region of £2.5m (£1.6m) allowing for the proceeds of the rights issue last year and the effect of acquisitions.

UDS confirms mid-year fall

Confirmation of lower first-half profits for UDS Group came at yesterday's annual meeting.

Mr. Bernard Lyon, the chairman, reiterated his warning in the annual statement that profits for the first six months would not equal those of the corresponding period last year.

However, he said this should not be taken as an indication for the full-year results

Wilkinson Match down £5m at 12 months stage

IN THE second six months to March 31, 1980, pre-tax profits of Wilkinson Match were £7.64m, some 21.5 per cent lower than last year's corresponding figure of £9.74m.

This left the consumer products, fire equipment and packing group with £14.07m for the 12 months period, compared with £19m previously, on turnover down from £271.68m to £286.21m.

As known, the group has changed its financial year-end from March 31 to September 30 and the 1979-80 accounting period has therefore been extended to cover 18 months.

As forecast at the interim stage, the second six months' figures show an improvement on those of the first period when profits had fallen over 30 per cent from £9.37m to £6.43m.

Of the £5m shortfall over the 12 months, around £3m was accounted for by higher interest rates, and exchange losses. In addition, the group's UK business was badly hit by the national engineering strike and VAT increase.

In the past few months, while dealing with current problems, the group has also been actively engaged in strengthening management, increasing operating efficiency and reducing costs. The directors do not look for an improvement in the current six months period but thereafter they expect to see increasing benefits from the action that has been taken.

Unrelieved losses in the U.S. and UK resulted in a heavy increase in the 12 months' tax charge from £1.2 per cent to 59.5 per cent, which in turn led to a disproportionate fall in basic earnings per £1 share from 34.4p to 14.6p. Fully diluted earnings dropped from 31.4p to 14.26p.

A second interim dividend of 4.5p net in respect of the 18 months period makes 9p to date, for the previous full year payments totalled 11.36p.

Total group borrowings at March 31 were £57.6m, against £58.7m a year earlier.

A geographical analysis of turnover and operating profits, of £21.14m (£24.9m), shows respectively (with £000s omitted): UK £70,058 (£67,733) and £3,693 (£6,070); Western Hemisphere £18,776 (£126,201) and £6,347 (£8,240); Europe £25,600 (£27,078) and £2,000 (£3,449); Africa and Middle East £30,457 (£23,123) and £4,360 (£4,709); Pacific £21,351 (£21,561) and £4,337 (£4,434).

While the group's businesses in Latin America, the Pacific and Southern Africa performed well, poor results in the U.S. and the UK were mainly due to substantial losses incurred on personal

products. Management in both these regions has been largely

reorganised in order to improve the group's position in markets which remain fiercely competitive, but benefits will take time to show through.

In Europe, results for personal products were not up to last year's level. Overall, the deficit from personal products increased from £1.7m to £4.07m.

The match business again performed satisfactorily, although UK volumes were affected by the VAT increase.

The hardware business of True Temper suffered as a result of economic conditions in the U.S. where during the period high interest rates caused wholesalers and retailers to reduce inventories on a large scale. This was aggravated in the North Eastern part of the U.S. which is a major market, by the lack of snow resulting in considerable overstocking of snow tools in the trade.

The deepening U.S. recession continues to bite hard on True Temper but this company is soundly based and will be quick to respond to an upturn, the directors state.

At home the engineering strike together with high interest rates also affected the hardware business.

As expected results of the writing instrument business improved considerably following the management changes which took place in 1978.

Lion Match, the 65 per cent-owned South African subsidiary, has maintained its growth record during the second six months of the current 18-month accounting period. Management is confident that improved performance will be maintained during the final six months.

During the 12 months to March 31, operating profit advanced 27.4 per cent to £7.7m from £6.04m a year earlier. Turnover rose 17.4 per cent from £286.4m to £336.3m.

Two interim dividends totalling 25 cents have been declared from earnings of 50.9 cents per share.

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Dividends shown gross per share net except where otherwise stated. *Equivalent scrip allowing for scrip issue. †On capital increased by right and/or acquisition issues. ‡9p to date in current 18 months period.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current dividend	Corresponding dividend	Total dividend for year	Total dividend for year
Beralt Tis	1.41	July 25	4.5	4.5	9.0	9.0
Charter Const.	1.41	Aug. 9	0.45	0.45	0.9	0.9
Control Securities	1.41	Aug. 29	0.5	0.5	1.0	1.0
Cronite Group	1.41	Aug. 29	0.5	0.5	1.0	1.0
Ferranti	1.41	Aug. 15	0.64	0.64	1.28	1.28
Giltspur	1.41	Aug. 15	0.5	0.5	1.0	1.0
Halma	1.41	Oct. 1	1.75	1.75	3.5	3.5
Arthur Holden	1.41	Aug. 15	2.13	2.13	4.26	4.26
Kenning Motor Gp. Int	1.41	Oct. 3	0.5	0.5	1.0	1.0
LCP	1.41	Oct. 3	0.5	0.5	1.0	1.0
Moorgate Mercantile	1.41	Aug. 22	0.36	0.36	0.72	0.72
Old Swan (Charrogate)	1.41	Aug. 22	2.34	2.34	4.68	4.68
R. Paterson & Sons	1.41	Aug. 2	1.5	1.5	3.0	3.0
Property Partnerships	1.41	Aug. 2	1.74	1.74	3.48	3.48
Tecalest	1.41	Aug. 15	0.55	0.55	1.1	1.1
Whewy Watson	1.41	Oct. 1	7.15	7.15	14.3	14.3
Wilkinson Match sec. st	1.41	Sept. 4	1.09	1.09	2.18	2.18
Trident TV	1.41	Sept. 4	1.09	1.09	2.18	2.18

Dividends shown gross per share net except where otherwise stated. *Equivalent scrip allowing for scrip issue. †On capital increased by right and/or acquisition issues. ‡9p to date in current 18 months period.

Humphries Holdings tops £1m

An increase in taxable profits from £0.6m to £1.05m is reported by Humphries Holdings, the film processing and sound recording group, for the year to March 31, 1980. Turnover rose slightly, from £11.3m to £11.38m.

At halfway the group reported profits of £0.47m and said that the second half was unlikely to match the first in attributable profits because of the effects of the independent television strike on certain subsidiaries.

Tax for the year took £377,196 (£104,841). Comparisons have been restated following the adoption of SSAP 15.

There was an extraordinary debit of £254,247 (£153,737) in respect of the actual loss on disposal written off. There was a surplus of £0.73m arising from the revaluation of long leasehold properties.

Earnings per share are given as 8.6p (9.23p restated). Again there is no dividend.

Travelodge up in first half

Travelodge International Inc., a subsidiary of the Trusthouse Forte Group, reports record net income of \$1.87m against \$1.55m in its second quarter of 1979-80, making \$2.59m at the end of the six months to April 30, 1980, against \$2.08m in the same period last year.

Total revenue for the quarter was \$20.48m (\$20.37m) making \$39.2m (\$37.33m) for six months. Net income per share at the end of the half-year was \$1.20 against \$0.97.

£2m cash call by Clive Discount

The directors of Clive Discount Holdings are planning to raise some £2m cash expenses by way of a two-for-one rights issue of 34p per share.

The issue is being underwritten by Kleinwort Benson and as broker is Howe Gowett.

The directors say the size of the capital base largely determines the amount of business the group can undertake. It is now considered appropriate to expand the base to take advantage of the more favourable market conditions anticipated.

Following the trading loss incurred last year the board's main priorities are now the rebuilding of resources and restoration of the dividend. In this context, the loss of about £2m are available for offset against present and future profits.

As reported in the annual accounts, the current year has started off a more hopeful note. However, given the volatile nature of the markets, it is not possible at this stage to make any prediction of the outcome for the full year.

The board does not expect to recommend the payment of other than a nominal interim dividend in respect of the year ending March 31, 1980. The payment of a final dividend will depend upon the results for the full year and the outlook at that time.

The directors will look to recommend normal dividend payments at the earliest opportunity consistent with the restoration of a satisfactory capital base.

Subject to the passing of a resolution to increase the authorised share capital from £45m to £55m, to be proposed at an extraordinary general meeting on July 10, 1980, it is expected that provisional allotment letters will be despatched on July 10, 1980 and that dealings in the new shares will commence on July 11, 1980.

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Trading in the 621,373 free shares of Beijerinvest, the Swedish oil-trading and investment company is to begin on the Stockholm Exchange today. The free equity, which accounts for 11.4 per cent of the company's share capital, are the only shares which may be acquired by non-Swedish citizens.

Last year, 69 per cent of Beijerinvest's income after financial items of Skr.415.6m (£44.2m) came from oil-trading subsidiary, Scandinavian Trading. Another 10 per cent came from food subsidiaries.

Last month, the company agreed to take over Felix, the Swedish food manufacturing subsidiary of Sir James Goldsmith's Generale Occidentale group, for £21.0m in cash, notes and shares.

Beijerinvest free shares of par value of Skr.50 have traded between Skr.185 and 138 so far this year.

The London listing is sponsored by Hambros Bank and Lazard Brothers. Expenses in connection with the listing are estimated at £100,000.

LCP You'll like the way we're growing.

1960

1970

1980

1990

Two decades ago this week, four West Midland companies, operating mainly in fuel distribution from one trading estate at Pensnett, got together and went public.

The LCP Group was born.

Since then our expansion has been impressive. Based upon a growing investment

in industrial property, now with five trading estates, we moved into vehicle and autoparts distribution, construction, building materials, metal products, and we now have six divisions, including one for our overseas operations.

LCP has come a long way in twenty years.

Shareholders' funds have grown from £0.8m to £45.4m.

Trading profits have grown from £0.2m to £9.5m.

Pre-tax profits have grown from £0.2m to £6.5m.

Investment property assets have grown from £0.6m to £37m.

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Brit. Dredging £0.4m loss but this year starts well

STRUCK AFTER an exceptional debit of £500,016, against a credit of £355,545 last time, pre-tax profit of the British Dredging Company, aggregates, construction and dry dock group, increased sharply from £13,910 to £565,722 for 1979. In the first six months, there was a turnaround from profits of £94,000 to losses of £198,000.

On prospects, however, Mr. F. Vernon, who was appointed chairman in February, says "results for the current year should be a true reflection of the group as it now stands within the trading environment of 1980, unaffected by the costs of previous management errors."

In the first five months of 1980 the group has made a profit as a result of considerably better trading in the first quarter compared to last year, which is mainly due to better weather conditions.

But with prospects for the building industry generally gloomy, Mr. Vernon says it is difficult to tell at present how the group will perform in the second half in such a trading environment.

At the trading level, before exceptional items, there was a profit for 1979 of some £84,000 (£170,000 loss), which reflected a trading deficit of £172,000.

Turnover for the year fell £1.12m to £12.41m. Interest charges were lower at £473,893, compared with £564,151, tax took £83,165 (£228,562) and extra-ordinary debits, £260,558 (£895,960 credit).

Loss per 25p share is shown at 3.15p, against earnings of 1.88p previously. Again no dividend is to be paid—the last payment was 0.3p net in respect of 1978.

The company's objective this year is to make a return to the dividend list.

The chairman stresses that despite six years of pre-tax losses the company still has substantial assets and is essentially sound.

In preparing the accounts, full provisions have been made for substantial, additional losses which have arisen because of certain management decisions made in 1979, Mr. Vernon states.

He refers to the substantial losses in the sub-contract taken on by BDC Shaw International Contractors for the erection of aircraft shelters, which has now been terminated, and to the substantial losses of Prouds Engineering Company which is in the process of being closed.

Also, an additional provision of £250,000 has been made against the amount due from the purchasers of the group's interest in Pauls Federated Merchants. While instructions have been given to pursue the

total amount of £400,000 due from the purchasers, which is subject to a personal guarantee, it is considered prudent to reserve the whole amount.

The preliminary accounts show a sum of £42,000 said to be a provision "against certain amounts estimated to be due by former chairman and chief executive" Mr. Bryan Clark.

Mr. Vernon says action to recover the amount is "imminent." He also says the company anticipates a claim from Mr. Clark for loss of office, which it will contest.

While confident of the company's future, the chairman emphasises that there are still many problems to be solved, although these are all capable of solution. Interest charges are currently running at about £40,000 a month and energetic steps will be taken to reduce the level of bank borrowing.

The group's bank borrowing limits currently stand at £1.65m and Mr. Vernon says the company is well within this figure. However, further asset sales are being considered.

"I would like to sell between £500,000 and £700,000 of assets, but I am not going to sell these cheaply," he states.

● **comment**
Somewhere beyond the labyrinth of exceptional and extraordinary items, provisions, closures, boardroom rows and

DESPITE an exceptional credit of £1.02m, pre-tax profits of the Kenning Motor Group fell from £2.71m to £2.55m in the six months to March 31, 1980. Turnover climbed from £14.39m to £12.7m.

The board states that although results for the March quarter showed a substantial improvement compared with the December quarter, profits for the half-year were in line with its forecast. In the previous 12 months, pre-tax profits were up from £3.27m to £8.45m.

Car, van and contract hire were the most seriously affected due, in part, to less business being available and lower margins being achieved as competitors "fought for a larger slice of a smaller cake," says the board. Margins on secondhand vehicles from the fleet suffered, and disposals were, and still are, more difficult to achieve due to the slump in the market.

Vehicle depots also produced much lower results. Interest and finance charges amounted to £1.17m (£639,000)

management upheavals lie the six principal subsidiary companies which form the mainstream of the business at British Dredging. Only four make money. Two major associates are as important in group sales terms as the subsidiaries. British Dredging (Sand and Gravel) made a profit last year, but is subject to the vagaries of the weather and the building industry. French-based SGSD lost the group £100,000 last year, when BD did not have the management control which it is now seeking. BD (S and G) also locks the group into relatively low-returning assets. The core business is not a had one an which to build, now that the deadwood has been stripped away; provisions totalling £1.58m should take care of any remaining grey areas. The main concern must be the building up of cash to renew the ships, which have perhaps another four years' life. There is scope for some property disposal, and probably the sale of part of another operating company, at the right price, to yield perhaps £750,000 or so. The French operations clearly need attention and while the board believes that performance on the engineering side will be boosted by increased cash resources, there is a clear need to rein back investment given the imminence of shipping cash requirements.

But the group is now in a period of uncertainty. The two television companies, having made their applications to the IBA for a renewal of their contracts, have to wait until the end of the year for the authority's decision.

Further uncertainty arises from the general state of the economy. Signs of a major downturn are present and leading advertisers have indicated that they are

And depreciation accounted for £5.25m against £4.15m. Tyre profits, says the board, improved as expected while other activities held up well.

Associates' profits were up from £12,000 to £58,000 and after tax down from £730,000 to £410,000, profit attributable was £2.14m (£1.96m). Stated earnings per 25p share are marginally higher at 6.7p (6.2p), and the interim dividend is unchanged at 1.75p—last year's total was 5.5p.

The board says the June quarter looks unpromising for the motor activities. Car hire is showing some improvement, while the tyre services continue to do well.

With the country in a recession and high interest charges being maintained, it seems certain that the year's results will prove to be disappointing the directors say.

The company has not, as yet, consolidated the results of its Zimbabwe subsidiary due to the present uncertainties, but the company is doing well.

Trident Television reaches £5.2m at half-way stage

TAXABLE profits of Trident Television, television programme collection and leisure, for the half-year to March 31, 1980, rose from £4.82m to £5.17m.

After exchange losses of £54,000 (£310,000), attributable profit increased by £0.28m to £2.28m.

Turnover for the period was up from £36.44m to £44.61m. Tax charged was £2.63m, compared with £2.5m.

The Board says that following the settlement of the 11-week television strike, demand for airtime was stronger than ever before and this resulted in the best-ever revenue figures for the months of December to March inclusive.

In consequence, the original revenue budget for the period was fully met.

The new American ventures were now firmly established. A considerable stockpile of programme material has been purchased and the sales programme is progressing in accordance with the timetable originally laid down.

The leisure activities, including the Windsor Safari Park, were also in a better condition than ever before at the start of the 1980 season. Watts and Corry, which also suffered during the strike, quickly recovered its trading position and also developed its thrust into feature films.

But the group is now in a period of uncertainty. The two television companies, having made their applications to the IBA for a renewal of their contracts, have to wait until the end of the year for the authority's decision.

Further uncertainty arises from the general state of the economy. Signs of a major downturn are present and leading advertisers have indicated that they are

experiencing a sharp decline in discretionary spending by the consumer.

But in spite of the uncertainties the board fully anticipates that the group will reach its revenue target and that they will be able to report a return to the 1978 level of profit at the year end.

For the year to the end of September 1979, before tax profits were £7.51m, compared with £9.01m for the previous year.

The interim dividend is increased from 1.095p to 1.26p net—last year's total was 3.475p. Earnings per 10p share are given as 4.8p (£4.74p).

● **comment**
Trident's profits growth compares unfavourably at first glance with the 47 per cent advance reported by Anglia last week. But the Trident figures take in the last 31 weeks of the autumn strike, against a "clean" half for Anglia, and bear the continuing expenses of setting up the American sales venture. That, coupled with lower interest receipts arising from strike-induced cashflow pressure, accounts for the sharply lower earnings from non-TV contract activities.

The January advertising rate increase lifted by 22 per cent in the first six months of the current calendar year, though indications from forward-bookings are that this will slow to around 10 per cent year-on-year by the autumn.

With the Board looking for a return to 1978 profits of £9m, the prospective p/e on a full tax charge is 8.7, while a similar increase in the final dividend would give a prospective 8.8 per cent yield, at 51.5p, down 1.5p. The franchise renewal season means some short-term uncertainty, but Trident does not look particularly vulnerable.

Motor side decline leaves Giltspur little changed

STATIC second-half profits following the modest rise midway meant that Giltspur finished the year to March 31, 1980, marginally higher at £4.58m, against £4.52m. Turnover increased by £14.77m to £88.58m.

Higher profits were returned by all divisions, apart from Giltspur Motor Industries where the trading surplus dipped to £738,000 (£1.31m).

The net total dividend is raised by 20 per cent to 4.2p (3.5p), with a final of 2.7p. The directors say the increase is in view of the group's sustained profits and greatly improved gearing—now less than 23 per cent.

Mr. Maxwell Joseph, chairman, says it is difficult to express optimism over the coming months in the current economic climate. However, he hopes many of the group's trading companies will continue to show improved results this year.

Commenting on divisional performances in 1979-80, Mr.

Joseph says the rationalisation within the motor subsidiaries progressed well but coincided with a very difficult period in the trade. The engineering side pushed up trading profits to £1.02m (£897,000), while Giltspur Expo, which is involved in exhibition services and furnishing hire, turned in £2.74m (£2.62m).

Earnings per share are shown as 16.34p (16.25p), after tax of £1.49m (£1.5m).

Cash deposits increased by £1.6m in the year, while loans were reduced by a further £1m. Earnings were struck after interest of £349,000 (£350,000).

● **comment**
Giltspur's motor division dented an otherwise buoyant performance last year, and is clearly going to ramble a bit with a loss. It contributed only £149,000 profits in the second half of 1979-80, against £339,000 in the corresponding period the

previous year, and few people in the motor trade are arguing with analysts' forecasts that the first three months of 1980 saw the best of what will be a very gloomy year. Giltspur is reacting by cutting back on capital in motors, and looking for growth in other sectors. The expo division pulled ahead from its interim setback, with a record home market compensating for expansion costs in the U.S. The engineering performance is particularly noteworthy, since 90 per cent of sales are exports. The division's strength has come from its emphasis on np-market precision technology, including a substantial proportion of design work. Borrowings are now down around the £3m, and the 20 per cent increase still leaves the dividend almost four times covered. The yield of almost 10 per cent and a fully-taxed historic p/e of 5.4 at 65p, up 4p, recognise that the motor division will be a drag on any current year advance.

Tecalemit margins under pressure

PRE-TAX profits of Tecalemit were little changed at £4.77m, against £4.61m, for the year ended March 31, 1980, on turnover ahead by £11.4m to £54.5m.

Industrial unrest cost the company—involved in fluid transfer and lubrication, garage equipment, lubrication systems and combustion engineering—some £350,000 in lost profit.

The directors say that in order to improve real profits, the group has started to diversify into products and companies which have high technology and high added value. However, they feel it is difficult to see any real growth until there is a sizeable drop in the rate of inflation.

At the interim stage profits

were £2.17m compared with £2.07m, and the board said the full year's outcome would be satisfactory.

Stated year-end earnings per 25p share are 11.4p (12.6p) and the dividend is effectively unchanged at 3.125p net with a final of 1.5625p. Also proposed is a one-for-two scrip issue.

Profits were struck after interest of £339,000 (£164,000), and subject to tax of £2.14m against £1.93m. The attributable balance came through down slightly at £2.53m (£2.67m) after minorities and extraordinary items.

A surplus of £1.92m on a property revaluation, as at March 31, has been added to reserves.

Moorgate Mercantile improves

PRE-TAX profits of Moorgate Mercantile Holdings advanced from £294,868 to £400,034 in the year to March 31, 1980. This figure was struck after interest charges up from £189,491 to £464,868.

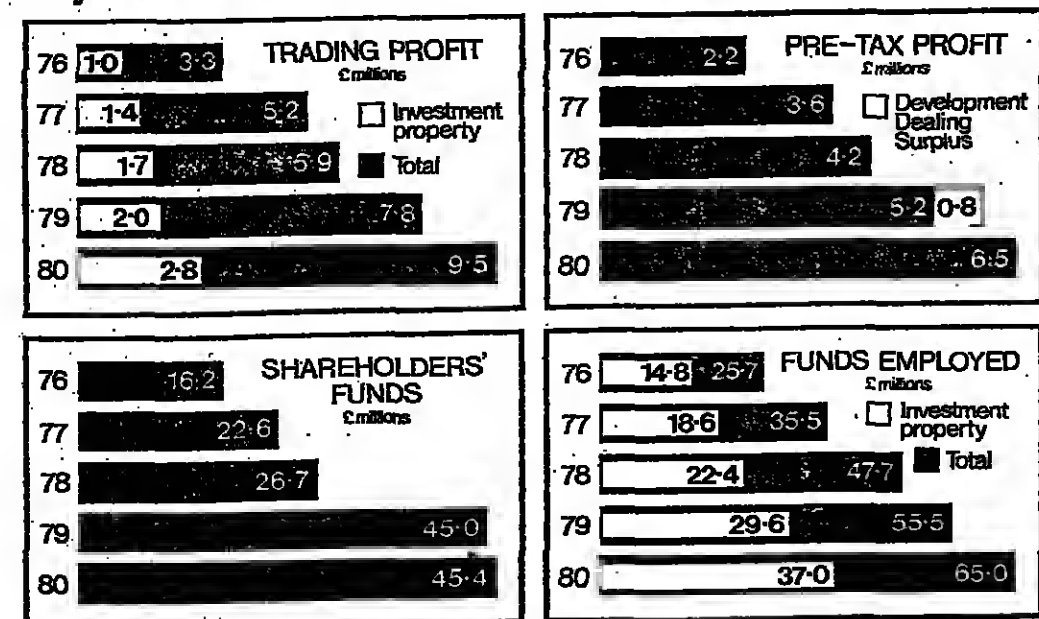
There was a tax credit of £358 (£32,573 charge), and retained profits came out at £277,789 (£299,963). Stated earnings per 10p share are 2.52p compared with 1.89p, and the dividend is raised from 0.5p to 0.75p.

The year's figures included a general provision for doubtful debts, in line with the current conservative practice in industry. Comparatives have been adjusted.

Turnover for the year improved from £1.57m to £7.37m.

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PRELIMINARY RESULTS for year ended 31st March 1980.



- * Strong advance of Investment Property profits from £2.0m to £2.8m.
- * Encouraging contribution from overseas operations in France and USA exceeds £1m.
- * UK Divisions provide record trading profits.
- * Pre-tax profits, excluding development dealing surplus, increase by 24% to £6.5m.
- * Main thrust of capital programme continues in investment properties and overseas.
- * Total dividend 4.3p per share, a 17% increase on previous year.

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Copies of the 1980 Report and Accounts are available, after July 18th, from The Secretary, LCP Holdings Limited, Parnham Trading Estate, Brierley Hill, West Midlands DY6 7LZ.

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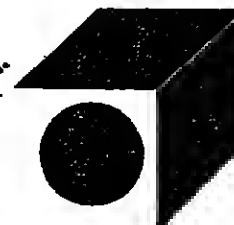
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SCOTTISH AGRICULTURAL SECURITIES CORPORATION LTD.

The Forty-Seventh Annual General Meeting of shareholders of the Scottish Agricultural Securities Corporation Ltd. was held at the registered office of the Corporation on 24th June 1980. Mr. A. R. Macmillan, director and chief general manager of the Clydesdale Bank Ltd., chairman of the Corporation, presided and, in moving the adoption of the Report and Accounts said:

"The Directors have pleasure in presenting their report together with the audited accounts for the year to 31st March 1980. During the year, the Corporation issued £2 million 15% debenture stock 1987/99 at 97% and the net proceeds were used to reduce the Corporation's bank borrowing. This profit of the Corporation, before taxation, amounted to £574,688 compared with £581,436 for the year ended 31st March 1979. The slight fall in profits is due to the high rates of interest paid for the greater part of the year on the Corporation's bank borrowing. Corporation tax was also higher as it was not possible to offset the interest accrued but unpaid on the new debenture stock against profits for tax purposes. As a result, profit after taxation was £58,754 lower at £230,273. After providing for the whole discount and expenses of the issue of the new debenture stock, paying the maximum permissible dividend to shareholders of £3,062, and transferring £100,000 to general reserve, the surplus of £28,860 was carried to revenue reserve."

Turning to the balance sheet, net new lending for the year amounted to £1,373,895. While this was an increase from the previous year, the number of loans settled decreased, and the trend has continued into the current accounting period.

Very high interest rates and the uncertainty in outlook for farming profits, generally, has caused the steep rise in the price of agricultural land seen in recent years to level out and in certain areas to show some signs of falling. The decrease in the value of land has not been significant, however, and the change has not in any way eased the position of new entrants into farm ownership.

During the year, the loan from The Secretary of State was reduced by a further £158,048, leaving the balance outstanding at £359,048. It is anticipated that a further payment will be required by the Government in the current year.

The rate of interest charged to borrowers at the beginning of the year under review was 15% per annum. A reduction of 1% was made in July 1979 but successive increases in November and December of 1% each brought the rate to the current level of 18% which equals the highest rate charged by the Corporation previously from December 1976 to March 1977. On this occasion the high rate persisted for longer period of time although it is a source of some satisfaction to your directors that the financial strength of the Corporation has enabled us to avoid an even higher rate.

On behalf of the Board I should like to pay tribute to the staff of the Corporation and to thank them for their continued loyalty and good work during the year."

The Report and Accounts were formally approved and adopted and a dividend of three-and-a-half per cent duly declared.

NOTICE OF REDEMPTION

To the Holders of

Honda Motor Co., Ltd.

7½% Guaranteed Sinking Fund Debentures Due 1981

NOTICE IS HEREBY GIVEN, that One Million Three Hundred Thirty Three Thousand Dollars (\$1,333,000) principal amount of Honda Motor Co., Ltd. 7½% Guaranteed Sinking Fund Debentures, have been drawn for redemption for account of the Director and the following serial numbers, have been drawn and accrued interest to that date.

DEBENTURES IN DENOMINATION OF \$1,000. EACH

29	1037	2770	4050	5434	3701	8174	10060	11689	12346	14388	15612	18499	17321	18299	19308
35	1335	2778	4053	5443	6717	8194	10064	11703	12355	14418	15624	18509	17320	18304	19314
51	1489	2802	4073	5459	6725	8208	10068	11706	12359	14421	15627	18512	17323	18307	19317
54	1516	2883	4086	5467	6726	8215	10078	11709	12365	14437	15638	18555	17347	18312	19316
100	1529	2888	4086	5473	6744	8217	10091	11782	12371	14445	15672	18640	17353	18344	19321
112	1550	2872	4084	5480	6737	8220	10110	11809	12372	14446	15673	18641	17354	18345	19322
124	1552	2880	4117	5483	6739	8221	10117	11816	12373	14447	15674	18642	17355	18346	19323
132	1558	2889	4087	5474	6745	8218	10120	11785	12374	14448	15675	18643	17356	18347	19324
191	1578	2818	4124	5512	6769	8246	10125	11824	12377	14450	15696	18683	17393	18373	19330
206	1586	2923	4144	5525	6777	8261	10129	11828	12378	14451	15697	18684	17394	18374	19331
214	1588	2923	4144	5525	6777	8261	10129	11828	12378	14451	15697	18684	17394	18374	19331
217	1590	2898	4115	5508	6768	8241	10137	11831	12381	14453	15698	18685	17395	18375	19332
206	1580	2828	4154	5548	6811	8267	10145	11834	12383	14457	15701	18687	17397	18377	19334
217	1590	2891	4115	5508	6768	8241	10137	11831	12381	14453	15698	18685	17395	18375	19332
218	1592	2893	4117	5510	6771	8244	10140	11834	12384	14456	15702	18688	17398	18378	19335
241	1624	2944	4193	5568	6881	8319	10175	11903	12458	14481	15719	18723	17400	18429	19350
246	1634	2948	4196	5571	6883	8327	10179	11919	12461	14482	15720	18724	17401	18430	19351
254	1638	2952	4199	5574	6886	8330	10182	11925	12464	14483	15721	18725	17402	18431	19352
271	1668	2985	4295	5682	6948	8395	10213	12057	12493	14490	15748	18762	17415	18467	19359
283	1776	3295	4618	5985	7216	8612	10242	12121	12549	14519	15776	18812	17443	18495	19367
322	1778	3297	4620	5987	7217	8613	10245	12124	12552	14522	15779	18815	17446	18498	19370
341	1782	3297	4620	5987	7217	8613	10245	12124	12552	14522	15779	18815	17446	18498	19370
341	1790	3297	4620	5987	7217	8613	10245	12124	12552	14522	15779	18815	17446	18498	19370
356	1800	3305	4627	5994	7224	8620	10252	12131	12559	14529	15786	18822	17453	18505	19377
380	1812	3305	4627	5994	7224	8620	10252	12131	12559	14529	15786	18822	17453	18505	19377
383	1822	3012	4951	5724	7053	8868	10258	12134	12562	14537	15789	18839	17459	18513	19381
390	1822	3012	4951	5724	7053	8868	10258	12134	12562	14537	15789	18839	17459	18513	19381
399	1822	3012	4951	5724	7053	8868	10258	12134	12562	14537	15789	18839	17459	18513	19381
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472	1850	3106	4968	5758	7106	9016	10350	12277	12596	14615	15804	18863	17467	18527	19390
483	1851	3123	4973	5764	7114	9027	10357	12303	12598	14622	15809	18868	17470	18530	19391
489	1851	3123	4973	5764	7114	9027	10357	12303	12598	14622	15809	18868	17470	18530	19391
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524	1897	3148	4931	5789	7192	9054	10399	12345	12650	14688	15973	18938	17529	18594	19397
541	1917	3185	4932	5908	7222	9107	10412	12444	12696	14711	15991	18961	17537	18634	19397
563	1934	3160	4976	5916	7238	9116	10416	12460	12705	14721	16022	18981	17546	18646	19398
567	1934	3160	4976	5916	7238	9116	10416	12460	12705	14721	16022	18981	17546	18646	19398
583	1939	3232	4984	5927	7258	9136	10460	12501	12720	14740	16038	19020	17563	18661	19398
600	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
617	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
623	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
638	1939	3232	4984	5927	7258	9136	10460	12501	12720	14740	16038	19020	17563	18661	19398
649	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
659	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
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698	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
704	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
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714	1967	3382	4998	5988	7285	9144	10487	12513	12721	14755	16048	18925	17574	18672	19399
741	2112	3333	4928	6034	7376	9301	10631	13009	12788	14832	16107	18992	17657	18701	19409
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752	2118	3337	4933	6039	7381	9306	10636	13014	12793	14837	16112	18997	17662	18706	19414
772	2195	3338	4936	6124	7510	9326	10686	13017	12793	14838	16113	19002	17663	18707	19415
788	2235	3419	4919	6143	7582	9337	10690	13040	12806	14839	16140	19022	17682	18731	19415
788	2235	3419	4919	6143	7582	9337	10690	13040	12806	14839	16140	19022	17682	18731	19415
800	2292	3432	4719	6154	7588	9432	11070	13057	12844	14877	16252	19038	17693	18881	19461
800	2292	3432	4719	6154	7588	9432	11070	13057	12844	14877	16252	19038	17693	18881	19461
818	2314	3496	4978	6184	7627	9574	11129	13081	12853	14905	16243	19070	17687	18847	19471
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867	2332	3500	4978	6204	7680	9576	11173	13095	12890	14907	16252	19095	17699	18849	19481
879	2332	3500	4978	6204	7680	9576	11173	13095	12890	14907	16252	19095	17699	18849	19481
885	2397	3582	4837	6321	7959	9599	11209	13108	12834	14958	16296	19114	17998	18857	19500
904	2411	3582	4837	6321	7959	9599	11209	13108	12834	14958	16296	19114	17998	18857	19500
929	2432	3590	4958	6291	7748	9633	11273	13131	12932	15026	16338	19135	18039	18989	19519
933	2432	3590	4958	6291	7748	9633	11273	13131	12932	15026	16338	19135	18039	18989	19519
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984	2468	3628	4983	6303	7762	9705	11310	13142	12937	15047	16343	19158	18043	18993	19529
976	2501	3656	4986	6324	7787	9724	11337	13146	12980	15048	16344	19159	18044	18994	19538
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1054	2548	3693	5037	6389	7864	9791	11388	13177	13016	15086	16387	19201	18094	19006	19571
1089	2595	3908	5998	6397	7874	9890	11436	13173	13016	15086	16387	19201	18094	19006	19571
1098	2595	3908	5998	6397	7874	9									

Unilever in talks to sell cocoa offshoot

By Our Amsterdam Correspondent

UNILEVER, the Anglo-Dutch food, detergent and consumer products group, is discussing the sale of Bendorp, a subsidiary which makes cocoa and chocolate products, to the French group, Cacao Barry.

In a separate development, Unilever said that a dispute with Emery Industries of the U.S. over the two companies' joint subsidiary, Unilever-Emery, would lead to changes in the co-operation agreement between the two.

Unilever and Barry have begun preliminary discussions aimed at the acquisition by Barry of Bendorp's operations in Bussum, in the Netherlands. It is not yet certain whether the agreement will be reached. The workforce and trade unions have been informed of the talks.

Two Bendorp companies in Kleef, West Germany, and Vienna are not involved. Bendorp has a workforce of 250 in the Netherlands.

Barry is one of the largest cocoa processors in the world, with plants in France, Belgium, the U.S., Brazil and West Africa.

The long-term future of the Bussum factory, which makes industrial cocoa products, will be adversely affected by the tendency for producer countries to set up their own processing plants.

Unilever and Emery Industries have been unable to settle their differences of opinion within the present co-operation framework. So they are now seeking to change the form of their agreement. In a statement, Unilever pointed out that Emery was acquired in May 1978 by National Distillers and Chemical Corporation of the U.S., apparently suggesting that this might be the reason for the dispute.

Unilever-Emery makes and sells more than 300 fatty acid-based chemicals. It exports 75 per cent of its annual sales of £1-210m (\$105m) and has a workforce of 650.

Turnround at Norwegian Elf Aquitaine

By Roy Gjester in Oslo

ELF AQUITAINE Norge, the Norwegian offshoot of the French oil group, reports pre-tax profits of Nkr 900m (\$204m) for 1979, compared with a deficit of nearly Nkr 3m. Operating income reached Nkr 3.2bn, compared with Nkr 1.9bn in 1978. The increase partly reflects last year's steep rise in the prices of oil and gas. Other factors were the start of production on two fields in which Elf has stakes—the Frigg gas field, phase two, and the Tor and gas fields.

Danish brewer lifts turnover

By Our Financial Staff

INCREASED sales but reduced profits are reported by the Danish Breweries group of Denmark for the six months ended March 1980.

Turnover is 15 per cent higher, adjusting for the disposal of a subsidiary. Profits, however, are lower, largely as a result of special promotional costs outside Denmark and the impact of additional start-up expenditure at a number of new plants.

For the whole of the current year United Breweries expects profits to be at least maintaining at the level of 1978-79.

Dutch retailer in mail order takeover talks

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH RETAILER, Vroom en Dreesmann (V en D) is holding takeover talks with a group of European mail order companies. The negotiations are expected to be completed within a few weeks, a spokesman for V en D said yesterday.

The companies involved are Keurkoop in the Netherlands, Concordia Mail of Belgium, Inter-Selection of France and Kurfuert of West Germany, Austria and Switzerland. A Dutch publisher, Lekturama, as well as two educational companies in the Netherlands and Belgium are also taking part in the talks. Together, they employ a workforce of nearly 1,250.

The companies operate independently but have a co-ordination office in Rotterdam which is handling the negotiations. V en D declined to reveal any of the financial detail in-

involved in a possible takeover or the turnover of the companies. They operate at a profit, though, the spokesman said.

Mail order is a new activity for V en D, which has been expanding rapidly out of conventional retailing and into the service sector over the past few years. The company reported a rise in sales and profit levels for last year, though the rate of increase slowed.

Operating profit was 8 per cent higher at F1 287m (\$182m) on sales which were 16 per cent up at F1 6.5bn (\$3.35bn). Pre-tax profit was an unchanged F1 142m. After-tax profit was 12 per cent higher at F1 112m on an historical cost basis.

On the basis of replacement costs pre-tax profit fell 5 per cent to F1 11m, although the after-tax profit was 10 per cent higher at F1 95m. The return on shareholders' equity fell to

11 per cent from 13 per cent. Operating profit this year is expected to be maintained, though the result of individual divisions will vary sharply. Ven D's foreign activities will play an increasing role. The economic decline in the U.S. will have only a limited effect on trading since they are based in the relatively less vulnerable States.

V en D plans a further expansion in the U.S., in Brazil and in the Far East. It foresees growth in both Japan, where it recently announced links with a local retailing group.

Yesterday's tender in six-month promissory notes raised F1 317.2m, nominal at a discount of 10 per cent, the Dutch Treasury said. The issue, the first of its kind for seven years, provides a yield of 10.57 per cent.

SIR threatens to shut plants

BY PAUL BETTS IN ROME

THE ITALIAN chemical group, Societa Italiana Resine (SIR), which is on the verge of financial collapse, said yesterday that it proposed to shut down operations at all its plants before the end of this month.

In a letter to Sig. Francesco Cossiga, the Prime Minister, and to Italian economic ministers, SIR, Italy's third largest chemical concern, said that it could no longer pay the June wages of its employees. Moreover, it could not buy the necessary raw materials or pay for essential services to operate its plants.

Unless the authorities intervened promptly, the company warned it would have to close down its plants.

SIR, which has been involved in a complex rescue programme for the past 18 months, owns several major plants in the

depressed island of Sardinia. A total shutdown would have major repercussions on employment in one of the poorest regions of Italy.

SIR's announcement, which immediately provoked angry reactions from the trade unions, comes only days after the chemical group reported overall losses of L847bn (\$1.1bn) for 1979. It underlines the mounting crisis now afflicting the Italian chemical industry as a whole.

The Government is now expected to introduce wide-ranging measures to reorganise the troubled chemical industry. These are likely to include giving Ente Nazionale Idrocarburi (ENI), the state hydrocarbons group, control of the industrial activities of SIR and Liqueficheim, another ailing chemical company.

ENI was called some years

ago to enter into a salvage operation to rescue a number of subsidiaries of the now dismantled Italian state minerals agency, EGAM. The rescue proposals for the chemical industry, however, are at the centre of a fierce debate between Cabinet ministers and rival political factions.

St-Simeone, the Italian telecommunications company, has told the FLM metalworkers' union that it plans to lay off 20,000 of its 30,000 workers for periods of four to 23 weeks starting in September because of a sharp cut in investments by state telephone company SIP, according to the union. Reuter reports from Milan. Last week, a group of companies in the sector told the Government they would seek approval to lay off around 30,000 workers for an indefinite period because of lower orders from SIP.

Enka improves five-month sales

BY OUR FINANCIAL STAFF

A MODEST rise in sales has helped Enka, the fibres division of the Dutch chemical group, Akzo, to keep its profit and loss account in balance for the first five months of 1980.

Sales for the five months have risen by 5 per cent to F1 1.7bn (\$880m), shareholders were told at the annual meeting in Wuppertal. For 1979 Enka reported a net profit of F1 33m on sales which totalled F1 3.7bn.

Enka has recently reached agreement in principle for the Dutch Government to inject F1 150m into its plant at Emmen. The money will be used to modernise and restructure the factory.

The European operations were hit by a rise in costs, but group results so far this year

were "favourably influenced" by the unconsolidated Latin American and Indian operations. Chemical fibre exports in the five months were 6 per cent lower at 174,000 tonnes, because of a fall in Enka Glazstoff activities and at its Spanish operation, La Seda de Barcelona.

The company felt unable to give second half prospects because of uncertainty over the length of this summer's lull in demand and the timing and degree of the expected autumn recovery. A sales fall in the textiles sector was already noticeable and the West German textile industry expected a "marked cooling" in the second half of 1980. A crisis still faced European synthetic fibre manufacturers as a result of increas-

ing chemical fibre imports from the U.S. and increasing imports of finished textile goods from non-EEC countries.

Shell Nederland Chemie expects to show a loss this year following depressed sales, having made a profit last year of over F1 100m. A downturn in the motor, textile and building industries has affected sales.

Cheap chemical imports from the U.S. and heavy costs related to the start-up of new plant is also putting pressure on the company's results. However, the chemical activities operated around the breakeven point in the first quarter.

As for the refineries, their financial results in the second quarter will be less favourable than in the first.

Hapag-Lloyd forecasts better year

By Our Financial Staff

A MORE balanced result is promised for 1980 by Hapag-Lloyd, the West German travel and shipping group whose profits last year fell sharply to DM 3.6m (\$2.04m) from DM 15.1m.

Developments in the first few months of this year have justified these expectations, the company said yesterday. Hapag is not paying a dividend for 1979 having cut its payment by DM 1.5 to DM 3 a share for 1978.

Hapag said it expected increasing competition this year in its liner operations, after a 7 per cent increase in tonnage in 1979 to 8.20m tonnes. But better results were expected in the dry cargo sector.

Tanker activities will again be disappointing. The ship repair, shipyard and harbour services operations have a "real chance" of improving results in 1980.

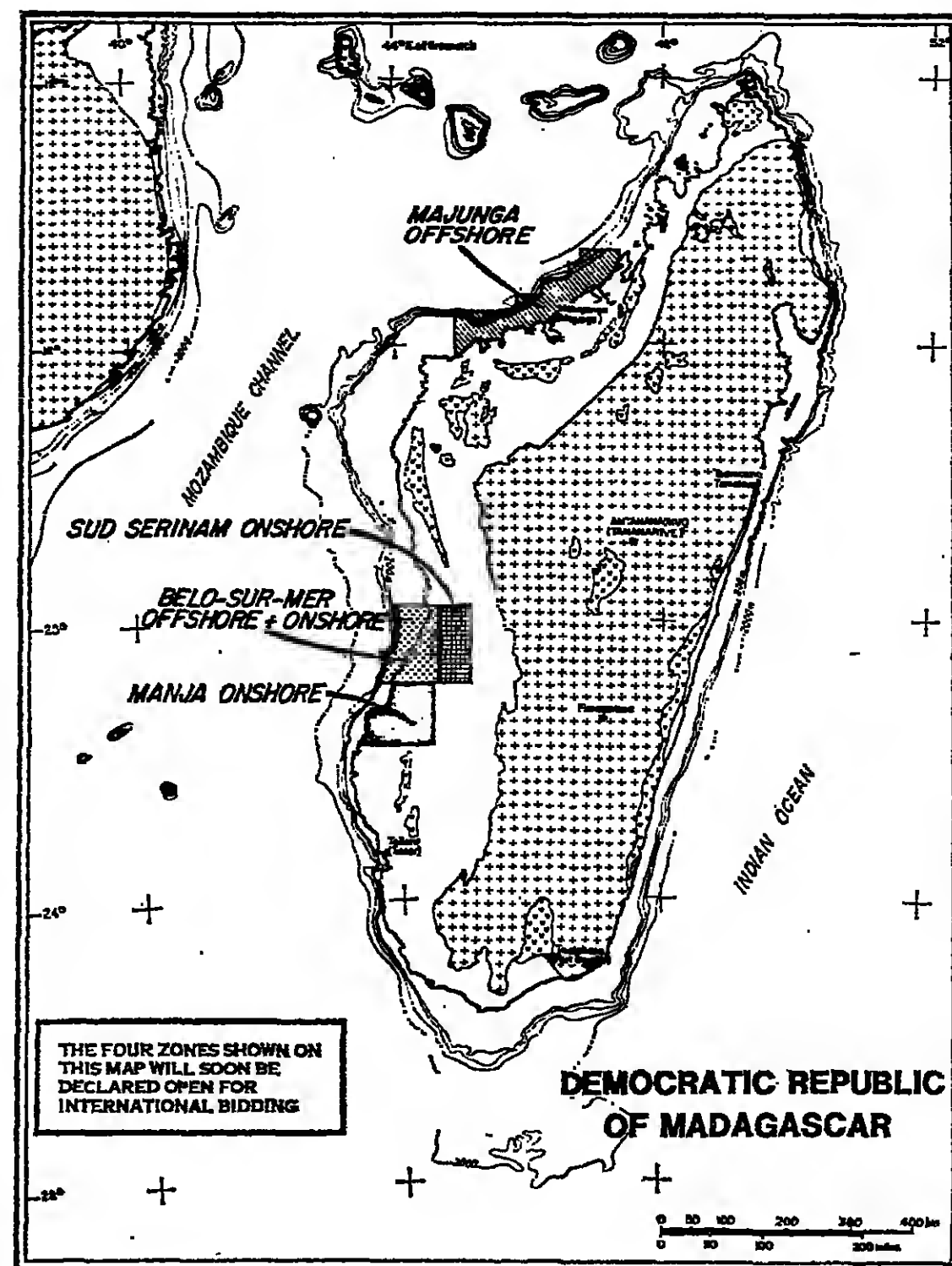
Swiss bank issue

Credit Suisse, one of the big three Swiss commercial banks, plans to raise SwFr 160m through the issue of a convertible bond on the Swiss capital market. Our Financial Staff writes. The bond will be for 10 years and carry a coupon of 4 1/2 per cent. It will be priced at par and subscriptions have to be in by July 4. When first mooted for the Swiss market earlier this month the funding was expected to raise SwFr 150m.

French utility scrip

Cie Generale des Eaux, the French water utility, intends to make a scrip issue later this year or early in 1981. AP-Dow Jones reports from Paris. Terms have not yet been fixed, but by increasing its capital by between FF 300m and FF 400m (\$75m-\$100m) the company intends to give itself "a sufficiently broad base" to carry out internal development and acquisitions, both in France and abroad.

DEMOCRATIC REPUBLIC OF MADAGASCAR



The new Petroleum Code of the Democratic Republic of Madagascar was adopted by the People's National Assembly on June 2nd, 1980, and will soon be promulgated.

Four areas considered as offering an attractive hydrocarbon potential will be opened for international bidding. These are as follows (see map):

1. Sud Serinam (approx. 6,250 sq. km onshore)
2. Belo-sur-Mer (approx. 5,250 sq. km onshore and 4,500 sq. km offshore)
3. Manja (approx. 9,000 sq. km onshore)
4. Majunga (approx. 15,000 sq. km offshore).

A technical document describing the hydrocarbon geology of Madagascar in general and the four areas offered for bidding in particular, the original French text of the new Petroleum Code together with an English translation, and other relevant data will be available in early July.

Detailed technical documents can be reviewed at the offices of OMNIS in Antananarivo as from August 1st, 1980.

Petroleum Companies interested in obtaining further information, in reviewing the detailed documents and eventually in submitting bids for the four areas, are kindly requested to contact:

Colonel Hubert Andrianasolo,
The Directeur-Général,
Office Militaire National pour les Industries Stratégiques (OMNIS)
21, rue Razanokombana
Boite Postale 1 bis,
ANTANANARIVO
République Démocratique de Madagascar Telex: 22370 mg

This announcement appears as a matter of record only



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June 1980



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NEW ISSUE

June 16, 1980

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Companies
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INTL. COMPANIES & FINANCE

First half earnings surge ahead at Olympus Optical

BY YOYO SHIBATA IN TOKYO

OLYMPUS OPTICAL, the Japanese optical instrument manufacturer, chalked up record earnings for the first half ended April.

Operating profits surged by 90.7 per cent to ¥7.5bn (\$34.9m), and net profits rose by 84.4 per cent to ¥3.7bn. Per share profits rose to ¥35.60 from ¥21.78 a year earlier.

Sales were ¥46.9bn (\$21bn) up 32.2 per cent, and exports rose by 41.5 per cent to ¥32.2bn to account for 69 per cent of total turnover.

Cameras accounted for 51.5 per cent (up 47 per cent) of total sales, medical instruments 16.3 per cent (up 59 per cent) and micro-

scopes for 27.9 per cent (up 24 per cent).

The yen's depreciation in the half year generated ¥4bn of exchange gains.

For the current fiscal year, ending October, Olympus expects operating profits to be a record ¥14bn, up 33 per cent; net profits ¥6.5bn, up 33 per cent; and sales ¥96bn, up 18 per cent.

The company plans to increase its interim dividend to ¥4.5 a share from ¥3.75.

OKUMA MACHINERY Works, one of Japan's big-five machine tool makers, is to offer 8.4m shares of common stock repre-

sented by European Depositary Receipts (EDRs) through an international selling group. The group will be managed by Nomura Europe and Morgan Grenfell and Co., who will underwrite the full amount of the issue.

The EDRs will be issued by Citibank N.A. as the depositary, initially in the denomination of 10,000 shares, and will be priced in U.S. dollars at a level representing a discount on the closing price of the ordinary shares on the Tokyo Stock Exchange on, or immediately ahead of, July 1. Last night, the shares closed at ¥645.

Kyoto Ceramic doubles profit

BY OUR FINANCIAL STAFF

KYOTO CERAMIC COMPANY, the Japanese manufacturer of ceramic products for the electronics industry, more than doubled its consolidated net profits in the year to March 31, to ¥14.49bn (\$66.8m), from ¥7.11bn in the previous year. Per share profit was ¥301.31, against ¥106.57.

Sales increased by 92.2 per cent to ¥114.16bn (\$526m), with the number of subsidiaries in-

cluded in the results having risen to 14, from eight in the previous year.

Kyoto Ceramic attributed the sharp improvement in the results partly to a steep increase in earnings at its U.S. subsidiary, Kyocera International, arising mainly from sales of integrated circuit (IC) packages.

The performance was aided by the addition of Cybernet Inc

of Japan and its affiliates, taken over by the company last year. These manufacture electronic devices, and their consolidated sales last year amounted to ¥11.91bn, accounting for 10.4 per cent of Kyoto Ceramic's overall consolidated sales.

The company expects net income on a consolidated basis in the year ending March next year to rise to ¥17.10bn on sales of ¥150bn.

Philippines loan plan confirmed

BY LEO P. GONZAGA IN MANILA

THE PHILIPPINES Central Bank has confirmed that it is to return to the international capital markets for a further \$100m as part of its 1980 foreign borrowing programme.

Mr. Gabriel Singson, the senior deputy governor at the bank, said the decision reflected the recent downward trend in foreign interest rates and a consequent increase in demand for

loans among domestic users of the funds raised under the bank's programme.

Under last year's programme a syndicated loan of \$500m was organised, but in February this year a similar sized credit was abandoned in favour of a \$200m club deal because of rising interest rates.

The \$200m 10-year credit included a 1 point spread over the London interbank offered rate, a half per cent commitment fee and a 1 per cent participatory fee. Mr. Singson is confident of winning the same terms, except for maturity, on the current \$100m proposal.

He said that at least seven banks, one of them Arab, had offered to participate in the latest credit. He pointed out that 10-year money was not now readily available.

Pao rejects general bid for Wharf

By Our Hong Kong Correspondent

HONG KONG's voluntary takeover code was put to the test yesterday when Sir Yue-kong Pao, the shipping magnate, announced that "at this stage" his World International group would not make a general bid for the listed share capital of Hong Kong and Kowloon Wharf.

The announcement came after the close of the stock market, and one day after the Committee on Takeovers and Mergers had told Sir Yue-kong he should bid for the 51 per cent of Wharf that will still be outstanding after he has increased his stake to 20 per cent on Monday, from 10 per cent at a cost of just over HK\$2bn (over U.S.\$400m).

Following Sir Yue-kong's statement, issued through Wardley, the merchant bank, Hongkong Land announced that its rival bid to acquire 40 per cent of Wharf had been rejected by the Committee on Takeovers and Mergers.

The takeover code here is voluntary, and it specifies that a 50 per cent shareholding is proof that control has been acquired. However, the committee pointed out on Monday that control could be achieved with less than half the shares since other factors may be taken into account.

Wardley claimed on behalf of Sir Yue-kong that the status quo was under threat from Hongkong Land's proposal and added: "It is not Sir Y. K. Pao's intention at this stage to make a general offer for the outstanding shares of Wharf."

Earlier, Wardley had announced that the Pao offer had been "overshadowed" with double the number of acceptances required.

Wardley said that payment in cash had been completed. Most acceptances came from small shareholders. A bank official declined to say whether any of the acceptances had come from Hongkong Land.

The Hongkong Land admission of defeat said that its offer had been made subject to certain conditions, one of which was that no other offer was made.

World International, the company through which he made his bid, was down 17.5 cents at HK\$4.075, while Hongkong Land was unchanged at HK\$ 12.20. Wharf remained suspended.

No obligation to observe listing rules, says court

BY JAMES FORTH IN SYDNEY

THE New South Wales Supreme Court has found that listed companies are under no obligation to comply with the listing requirements of Australian stock exchanges. This follows a decision in April in the Victorian Supreme Court that the listing requirements did not apply to unlisted companies, even where their actions affected listed companies.

The decision came from one of the legal battles which have arisen out of the struggle for control of the NSW coal group, White Industries.

Design Build Australia, a company associated with Mr. G. R. White, the chairman of Endeavour Resources, a member of the Bond group of companies, which claims to hold 45.5 per cent of White's capital and is seeking control with a partial takeover bid. It obtained injunctions in the NSW Supreme Court preventing Endeavour from dealing in or registering shares, and restraining Sydney Stock Exchange from listing the shares. Design Build claimed there had been breaches of the exchange listing requirements.

on takeover, relating to acting in concert. Endeavour sought the removal of the injunctions on the grounds that companies which have their shares listed on an exchange have no obligation to comply with the listing requirements.

Mr. Justice Powell ruled this week in the Equity court, a division of the NSW Supreme Court, that the Securities Industry Act contained no obligation to comply. For there to be an obligation to comply it would need to be imposed in the application forms for listing, but it was not. Mr. Justice Powell dissolved the injunctions but ordered a stay until Friday to allow for any appeal.

The ruling throws doubt on the right to suspend trading or delist shares, which would be a powerful deterrent to many cases. Moreover, the proposed new National Securities Industry Act which is scheduled to be adopted by all states later this year contains a section, which specifically states that if a company's shares are listed on an exchange, then the company is under an obligation to comply with the listing requirements.

Mining dominates export-led boom



The following is an abridged version of the address by Mr. D. A. Etheredge, President of the Chamber of Mines of South Africa, at the 90th Annual General Meeting of the Chamber in Johannesburg on 24th June, 1980:

The value of South African mineral sales, including gold, increased by 42.1 per cent in 1979 to total R9 768 million, while mineral exports increased by 45.5 per cent to total R8 500 million.

The mining industry's share, including processed minerals, of total South African exports rose from about 68 per cent in 1978 to approximately 73 per cent last year, reflecting one facet of the resurgence of mining as the dominant factor in the national economy.

While some minerals performed more spectacularly than others, sales of practically all our minerals increased appreciably in value last year and some, notably coal, iron ore and manganese, increased in volume as well. The individual roll-call is impressive, with the value of gold sales up 49.8 per cent, silver 103.3 per cent, diamonds 22.8 per cent, antimony concentrates 98.8 per cent, coal 30.8 per cent, copper 40 per cent, fluorspar 29.6 per cent, iron ore 33.7 per cent, manganese 52.1 per cent and a range of other minerals, including uranium and platinum, up 38.9 per cent.

COAL

World demand for coal increased sooner than most projections had indicated, due, among other things, to the unexpected speed at which some countries were able to convert from oil to coal for part of their energy needs.

Two new coal mines were opened in the course of the year. Contracts which will lead to the development of a further three mines to supply new power stations were awarded by the Electricity Supply Commission. In addition two mining groups announced that they were examining the possibility of producing liquid fuel from coal.

URANIUM

The production of uranium oxide continued to rise substantially during 1979 as members of the Nuclear Fuels Corporation, the Chamber's uranium marketing organization, increased their combined output of uranium oxide by approximately 1 000 tonnes to 5 540 tonnes. This is 22 per cent above production in the previous year.

In the past year we have seen a continued decline in the world demand for uranium with a resulting weakening of the price. It is impossible to foresee how long this position will continue. Nevertheless, in company with many others who are concerned with securing the world's future energy needs, we continue to place our confidence in nuclear power as an expanding source of energy. I have no doubt that the steps which the industry has taken to expand production and to maintain our position as one of the world's major suppliers of uranium will in due course be fully justified. Meanwhile the industry—consisting for the most part of by-product producers—is better placed than most to withstand the present weak state of the uranium market.

THE GOLD MARKET

The substantial increase in the gold price had an adverse effect on the demand for gold used in the fabrication of jewellery. Gold usage in this area declined from 1 007 tons in 1978 to 737 tons in 1979, once again reflecting a price-elastic response to the higher gold price.

In view of the importance of the demand for gold by the jewellery industry it is considered that every effort should be made to ensure that the new price levels do not lead to a further drop in quantity

of gold used in jewellery fabrication. It was decided therefore that the Chamber's gold promotion and marketing arm, the International Gold Corporation, should take steps to assist the gold jewellery industry.

Although the substantially higher gold price has affected the volume of Kruggerand sales which fell from just over 6 million coins in 1978 to just under 5 million in 1979, it is reassuring to note that the revenue earned from Kruggerand sales continues to increase, the 1979 figure at R1 330 million being R 286 million more than the 1978 total of R1 044 million.

There is no doubt that at the current gold price the Kruggerand is beyond the reach of many people and that it is no longer able to fulfil one of its most important objectives, namely that of providing the man in the street with an easily attainable and affordable vehicle to own gold. The Chamber therefore decided, and the Government agreed, to add to the present range of three other gold coins containing, respectively, one half, one quarter and one tenth of an ounce of gold. All three will be legal tender coins with no face value and we expect them to be available towards the end of 1980.

The major growth in demand for gold in 1979 was due to increasing speculative and investment interest. The poor economic performance of the major countries and of various investment assets caused a shift of investor preference to investment in gold and other commodities as a proportion of balanced portfolios.

Uncomfortably high levels of inflation, the relative weakness of the United States dollar and economic uncertainty about the availability and price of oil together with political disturbances in several areas of the world contributed to the investor demand for gold. A particularly important element was the growing desire of large holders of U.S. dollars to diversify a portion of their holdings into other investments. While the rapid rise in the gold price in late 1979 largely reflected this type of demand, speculative activity in mid-January 1980 reached

unprecedented heights, forcing the gold price to \$850 an ounce.

The subsequent decline in the price was encouraged by increased U.S. interest rates, the financial problems encountered by speculative operators in the gold and other precious metals markets, the increasing amount of physical metal disordered on to the markets by profit-takers, and the growing realization that the U.S. economy was moving into a recessionary phase.

After some consolidation around \$500 the price recently showed renewed activity. I expect that the gold price will continue to be affected by the various factors I have mentioned and that consequently it will remain a barometer of the world's economic and political problems.

The past year was marked by signs that the de facto remonetization of gold is continuing. For example, the activity of central banks in the gold markets has become more pronounced as a result of the desire to transfer at least a portion of assets from U.S. dollar holdings. A growing number of central banks have effectively remonetized their gold reserves by revaluing them at market related prices and gold is increasingly being used as collateral for international loans. Furthermore gold sales, of which the United States gold auctions are the major example, have been arranged for balance of payments purposes or to support currencies; and national gold reserves have been used for the minting of official gold coins, as in the case of Canada.

The remonetization of gold is further illustrated by the fact that the gold reserves held by central banks and official monetary institutions now exceed in value the official foreign exchange reserves held by these bodies. Gold has clearly reassumed its role as the most important international reserve asset. Some indication of the future role for gold within the international monetary system has been provided by the use of the pooled gold reserves in the European Monetary System and by the suggestions that gold be used in the proposed I.M.F. substitution account.

SAFETY

Encouraging news in the field of safety is that in spite of significantly increased mining activity, the steady reduction in the reportable injury rate has been maintained. Despite a marginal increase in the fatality rate for coal mines, the casualty rates, which embrace fatalities and reportable injuries, in respect of all classes of the Chamber's member mines, reached their lowest levels ever in 1979.

Three of our gold mines, namely President Brand, Western Areas and President Steyn, were awarded the maximum of five stars in terms of the International Mine Safety Rating scheme. A further two gold mines, Elandsrand and Randfontein Estates, and two platinum mines, Wildebeestfontein North and Bafokeng South, achieved creditable four-star ratings.

So far as is known, no participating mines in other countries have achieved more than three-star status under the scheme which sets standards for safety work and measures the adherence to these standards.

LABOUR

It is now generally acknowledged that South Africa's capacity for economic expansion and growth is limited by a major physical constraint, namely the acute shortage of skilled and professional manpower. The tragedy is that this situation is found in a country with immense manpower reserves.

The problems of the mining industry cannot be overstated. Between the fourth quarter of last year and the end of the first quarter of this year the shortage of all categories of skilled personnel among the Chamber's member mines increased from about 1 000 to about 1 600. This shortfall is nearly equivalent to the entire complement of skilled personnel required to man two medium-sized gold mines employing perhaps 20 000 people.

The average number of all employees on gold and coal mines, members of the Chamber, increased from 497 000 in 1977 to 514 000 in 1978 and to 527 000 in 1979, reflecting the increased activity in

mining. This trend in employment will continue as new mining projects, some already announced and others still being evaluated, reach the development stage.

The enhanced ability of the industry to offer employment in a sub-continent where population growth is fast outstripping the provision of job opportunities is clearly of enormous importance, especially to those countries and territories in the region which have little employment potential outside of subsistence agriculture.

THE OUTLOOK

South Africa is experiencing an export-led boom with mining playing the predominant role. There has also been a return of business confidence inspired to a large extent by hope of a progressive abandonment of outdated political philosophies and practices. It is important to secure these twin bases of the present economic revival.

It is vital firstly to maintain a vigilant watch on cost increases. Secondly, South Africa must reinforce the image it has established as a reliable supplier of minerals.

Finally, the State must create a framework to assist future mining development if the industry is to continue to maintain its position in world markets and ensure that the economy progresses at a rate which will permit the aspirations of all sectors of the population to be satisfied. This calls for the creation of conditions that will attract substantial capital investment and in particular an educational system that will produce the human skills required to carry out the new projects.

The full text of this address may be obtained from the General Manager, Chamber of Mines of South Africa, 5 Halford Street, Johannesburg, 2001.



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كتاب التمويل

FINANCIAL TIMES SURVEY

Wednesday June 25 1980

Investing in Commodities

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As the recession squeezes company profits, investors are turning with growing interest to the commodity markets. Both the risks and the potential rewards are high, for these markets still tend to follow a boom-and-bust cycle. But many believe that basic raw materials are a good bet during a time of general economic uncertainty.

A risk more are willing to take

By John Edwards

INTEREST IN the commodity markets, as an alternative form of investment, has grown enormously in recent years. It has a reputation of being risky, because the stakes are often very high. But commodities are increasingly being taken very seriously as an essential part of investment portfolios, to provide protection against the depreciating value of money.

The bulk of these investment funds have gone into metals, but there is increasing recognition that since other commodities are also basic raw materials, there is an intrinsic need for them which eventually over-rides any variations in the value of money. It was noticeable during the great gold and silver boom earlier this year, and the subsequent collapse, that the sugar market moved in roughly the same way.

Looking at the movement of commodity prices in past years, it can be seen that they do indeed reflect the inflationary spiral that has hit the industrialised countries so hard. It is true that investment in commodities is something of a

misnomer: the more accurate term is speculation, since no dividend or interest is paid. But in reality, any profits made from commodities are little different from capital gains made on share dealings, and the commodity speculator does play a useful role in providing the extra liquidity required in the futures market if they are to operate properly for the trade.

The risky reputation of commodity investment is based primarily on futures trading, where only a percentage of the total sum involved has to be put up as a margin. This is normally 10 per cent but can be raised much higher, depending on the creditworthiness of the investor and the state of the market. If prices are very volatile the clearing house often raises its margins and brokers too ask for higher deposits as an assurance against bad debts.

Good return

The high gearing element provided by only having to put up a 10 per cent margin is one of the chief attractions in commodity investment. It often means that large sums can be made for a modest outlay. Equally, losses can be magnified in the same way.

There are several ways of minimising risks. One is the use of options, where losses are confined to the premium paid. Another method which is gaining popularity, especially in the U.S., is managed or discretionary funds. Here the investor puts up a specified sum and relies on the manager of the fund to earn a good return.

Commodity unit trusts, either in commodity company shares, or offshore funds investing in actual commodities or the futures markets, provide another relatively "safe" investment. Nevertheless many

investors prefer to keep control over their own money and obtain the high gearing advantage available from trading in futures.

Although there is a steady underlying growth of interest, commodities still tend to follow a boom-and-bust cycle, with prices soaring at one time, only to collapse later. Outside interest is normally attracted by the kind of boom that the world sugar market has enjoyed this year, with prices trebling in less than 12 months.

Other markets have been relatively subdued, although cocoa prices have tumbled. But there has been a continued steady build up of volume in the home-grown grain futures markets housed in the Baltic Exchange. New contracts have been launched for arabica coffee, to join the existing robusta coffee market in London: the wool futures association has made a determined effort to revive interest with an unusual new contract priced in New Zealand dollars and offering a New Zealand delivery point, as well as separate trade in New Zealand itself.

A new market for potato futures has just been launched, which, if successful, could open the way to more domestically-orientated EEC agricultural commodity contracts. Eggs immediately spring to mind as a possibility.

However, the highest potential lies in plans to start a futures market for oil products. After intensive investigations, details of a contract for gas oil are now being drawn up with the help of representatives from some of the big oil companies. There is still a lot of work to be done before a final decision is made, but the present intention is to try to launch the market early next year.

This would represent a con-

siderable shot-in-the-arm for the London Commodity Exchange, which has been accused of being somewhat backward in catering for the expanded interest in commodities.

A successful oil futures market would pave the way for further contracts in oil products, such as benzene and naphtha, as well as bringing a vast new flow of funds into the markets. The reason d'être for commodity futures in this case would be to provide protection against the unpredictable price fluctuations which have now hit the previously stable oil market.

It seems clear that the kind of political and economic uncertainties that have already wreaked such havoc in the

commodity markets are likely to persist for some time. Efforts to stabilise world commodity prices, as part of a new economic order, have so far met with little success. The controversial UNCTAD common buffer stock fund has finally been agreed in principle, though in a much watered-down form, but haggling continues over its formation and it is likely to be many years before further progress can be made.

Meanwhile the integrated commodities programme has received a severe setback with the collapse of the International Cocoa Agreement because of disagreement between producing and consuming countries. The Gulf between the two sides appears to be widening, rather

than narrowing. And though attempts are now being made to salvage the cocoa pact, the producers have already suffered badly from an ill-judged attempt to try and control the market independently.

Meanwhile the International Sugar Agreement lost control of the world sugar market almost as quickly as it was implemented. Prices moved swiftly from below the Agreement's "floor" level to way above the "ceiling" and the market is back to a free-for-all.

The freedom given to investors by the lifting of the foreign exchange controls has had a special impact on commodities, which are internationally traded.

One side effect has been to

remove any official control over the market, since the supervision exercised by the Bank of England was as part of the exchange control provisions. The Bank no longer has the power to demand returns and reports on what is happening, and has also lost the ultimate threat of refusing to give foreign exchange concessions to any trader who got out of line.

Commodity brokers, however, are co-operating in efforts to establish some sort of quasi-official agreement with the Bank, which is continuing to monitor the markets—if only to avoid the kind of regulatory agent that has caused such concern in the U.S. markets.

Moves by the U.S. Commodity Futures Trading Commis-

sion to regulate the American markets even more, and to demand full disclosure from overseas companies trading there, have already caused a significant switch towards the London markets. It is anticipated that new funds coming into London could increase considerably in the years ahead, if the U.S. markets become too restrictive.

Many European companies are simply not prepared to reveal confidential information about their clients and they must, therefore, increasingly turn to London. This could well produce a considerable transformation in the traditionally trade-orientated London commodity markets, especially in the troubled times ahead.

Huge U.S. futures markets opened up

THE LIFTING of the UK foreign exchange control regulations last year has opened up a whole new range of commodity markets for the British investor. It is now possible to trade in Sydney futures, where the commodity markets have been growing rapidly in recent years; in Hong Kong, Paris and Winnipeg futures; and most important of all, in the huge futures markets in Chicago and New York.

Compared with London, the range of commodities futures that can now be traded is enormous, especially in the U.S. There are the giant grain and soya bean markets in Chicago; a variety of other agricultural products, including pork bellies (bacon sides), live cattle and lumber; and in New York, orange juice and cotton. These markets tend to be heavily influenced by U.S.

domestic developments, even though many of them—like grain and cotton—fix the world price of the commodity. This domestic influence makes it difficult to deal successfully at a distance, particularly in view of the fact that short-term price movements tend to be controlled by local speculators and are, therefore, often highly unpredictable.

There are also the "international" U.S. commodity futures markets, mainly in New York, which parallel those in London—cocoa, coffee, copper, silver and sugar. In addition, the gold and platinum futures markets in New York are widely used by UK and European investors.

Finally there is a new type of futures markets in the U.S. whose popularity has grown tremendously in the past few years. These are the so-called financial instruments futures

covering interest rates and currencies.

At present these financial markets are mainly concentrated in Chicago, on the Board of Trade and the International Monetary Market (IMM) which are part of the Chicago Mercantile Exchange, where they were launched. New York exchanges, including the copper exchange (Comex), have started rival markets. But the big challenge to Chicago is expected to come from the giant New York Stock Exchange, whose New York Futures Exchange (known as NYFE) is due to open very shortly—probably at the beginning of July.

The essentials of trading in the U.S. for the British citizen are much the same as dealing in London.

They can be handled by the same broker with equal ease, although many of the multi-

national commission houses are U.S.-based and, therefore, have stronger connections on the American markets.

However, although it is just as easy to deal in the U.S., there are significant differences between the American and London markets. The U.S. markets are, for example, far more tightly regulated, imposing strict limits on the size of price movements each day. These limits are often rather inflexible and can result in the investor being locked in the market for days on end without being able to get out.

More and more regulations are being introduced by the Commodity Futures Trading Commission—a U.S. Government agency—including the controversial ruling demanding full disclosure of background dealing details which European traders would often view as

being totally confidential.

Execution of orders on U.S. futures markets can often be slow and inefficient, especially during times of excitement. On the other hand excess margin money is returned to the investor on a day-to-day basis, unlike the practice in London where the clearing house retains funds that could be earning the investor useful interest.

But the biggest difference in the U.S. is probably that the futures markets there are geared up for the non-trade investor or speculator and structured accordingly, whereas in London the markets are basically trade-orientated. Speculation is not a dirty word in the U.S.—it is actively encouraged as a means of enabling the markets to work more effectively for the trade.

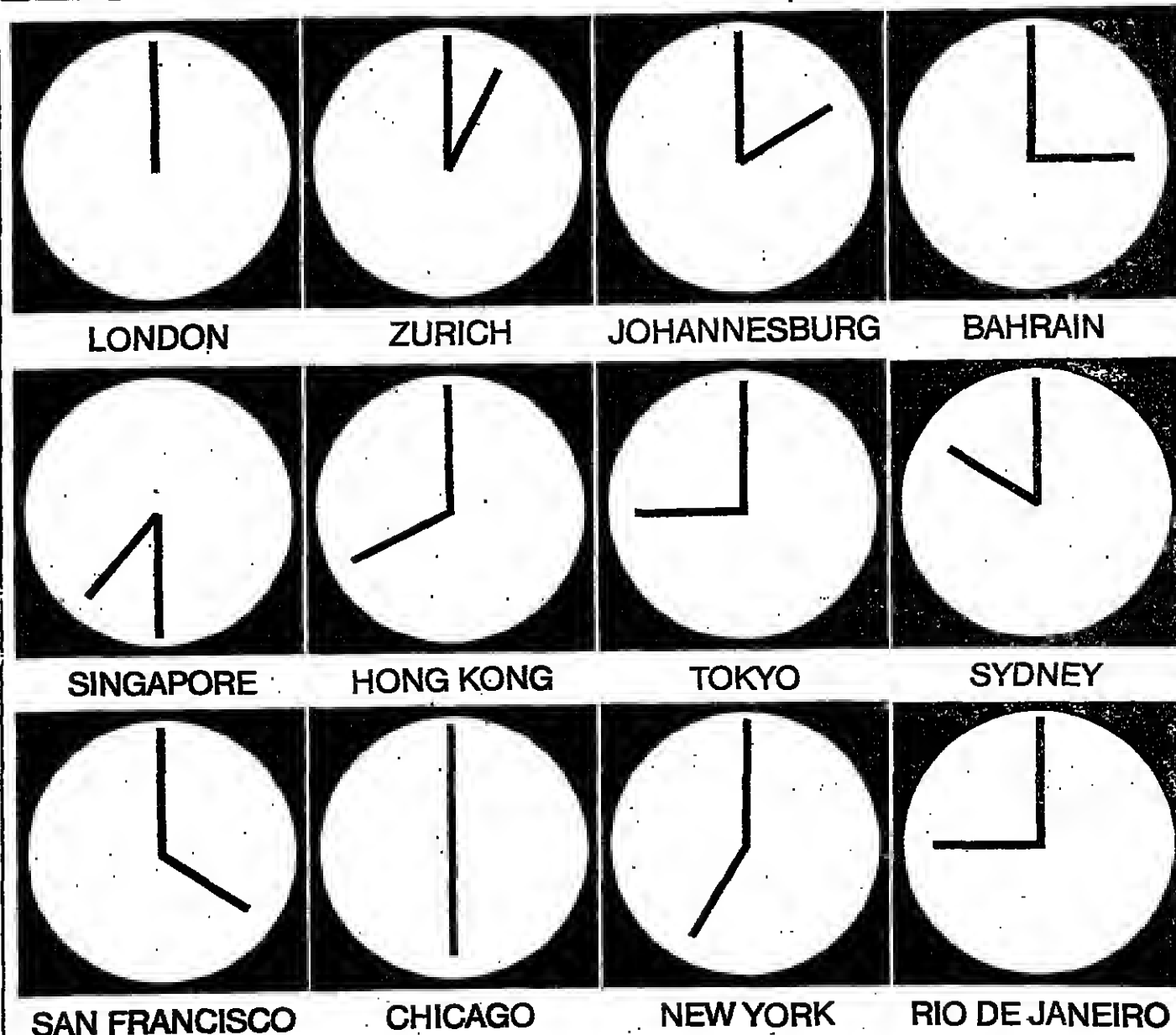
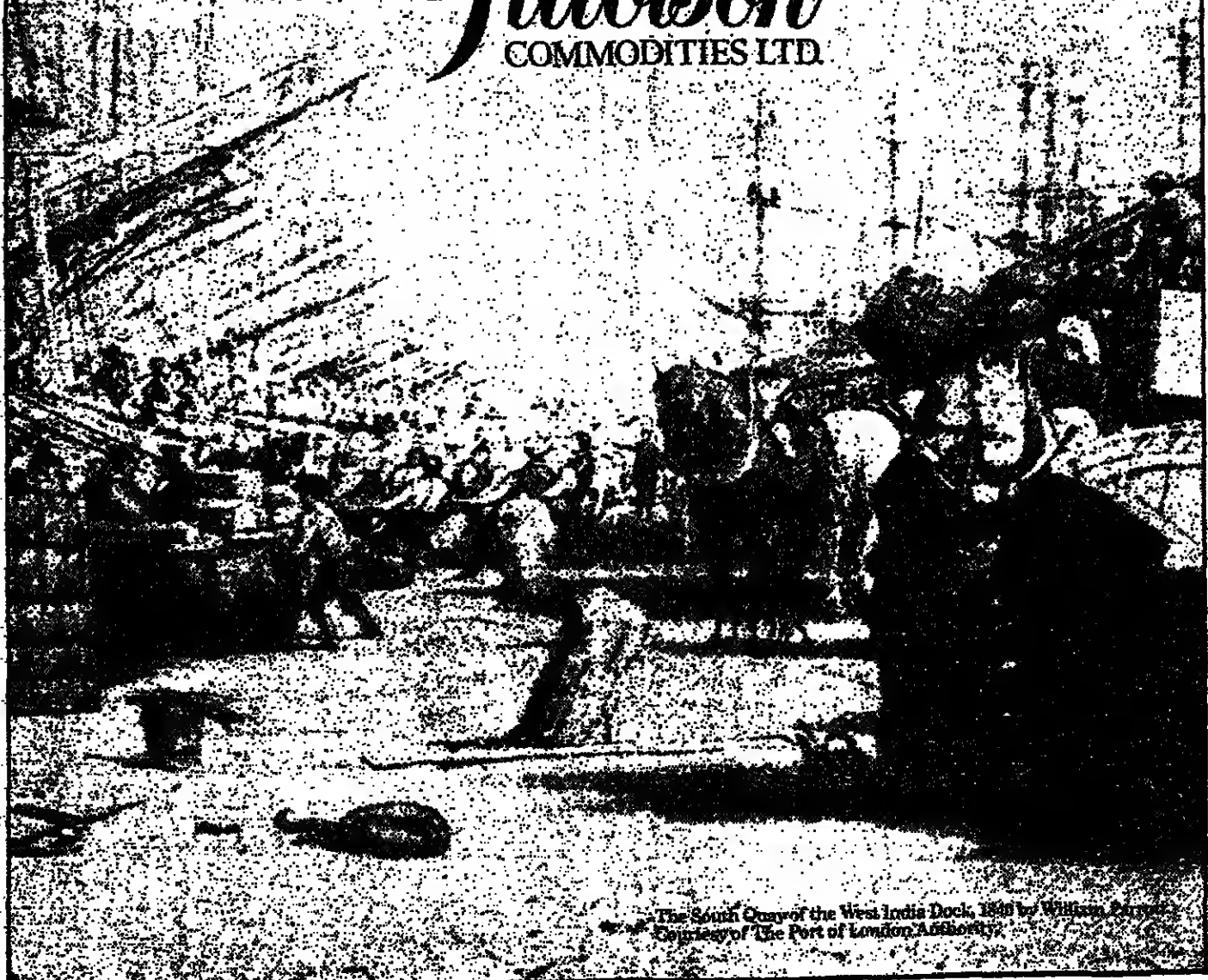
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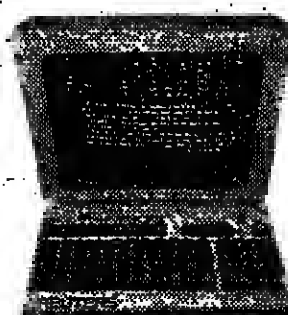
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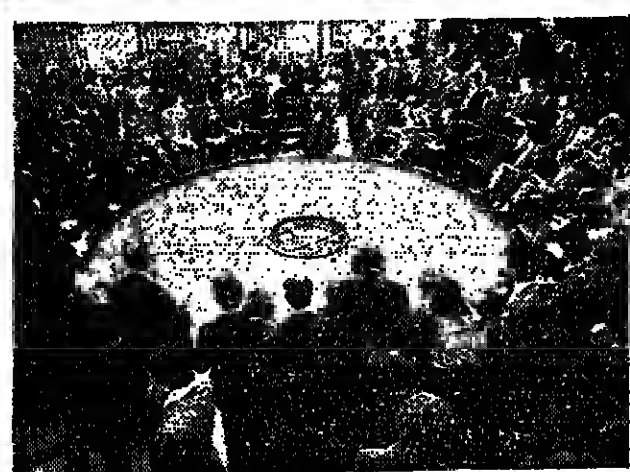
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INVESTING IN COMMODITIES II

Volatile prices dictate profits in broking

BUYING SHARES in commodity merchants and brokers makes sound theoretical sense. The investor can participate in the movements of a commodity price without raising the substantial capital needed for direct trading. By buying into a group with interests in a wide number of commodities, he can also limit his exposure to any single price movement.

In practice, the exercise is more difficult. Many of the leading traders in the UK are private companies. G. Czarnikow, for example, is very active in sugar, rubber, cocoa and edible oils. It generated sales last year of £1.34bn yet is wholly in private hands. Because of the limited capital requirements of commodity merchants and brokers, a stock exchange listing is often unnecessary.

Of the other companies, many are conglomerates with a wide spread of interests outside commodities. Guinness, Peat, for example, is involved in plate glass, insurance and chemicals. Its spread of interests limits the risk of the investor but can also deaden the impact of windfall profits.

Earlier this year, the company produced an increase in interim profits from £1.85m to £6.22m. The bulk of the rise was attributable to the group's heavy involvement in the rubber market, which was very active.

The growth in earnings from money broking, banking and the other activities was almost certainly less spectacular, and the rise in dividend was held to 22 per cent. A direct investment in the rubber market would have produced a significantly higher return.

Many groups use commodity broking and trading to supplement their productive activities. Tate and Lyle and Sime Darby are both major companies with trading and merchanting operations. Harisons and Crosfield is also an active commodity trader, yet in 1979 general trading profits contributed less than one-tenth of the group's operating surplus.

Even though a company like Tate and Lyle will generally trade most actively in the commodity which it produces, there is no guarantee that trading profits will move in line with the rest of the group. The producer is most likely to make money out of a rise in the price, whereas the broker will profit from volatility.

Recent interim figures from Tate and Lyle showed that profits from commodity trading more than doubled to £15m, even though the group as a whole saw pre-tax earnings fall by £2m to £9.2m. The company's refining business is under heavy pressure from British Sugar, which is fighting

to hold on to its UK beet acreage in the face of EEC pressure to reduce it.

This leaves two large listed companies which offer the potential for investment principally in commodity broking. Of these only one, S. and W. Berisford, has spread its interests across a wide range of commodities. The other, Gill and Duffus, remains primarily a cocoa trader.

Growth rate

Cocoa is also the commodity on which Berisford has built its spectacular growth rate. In the years between 1969 and 1978, pre-tax profits grew from about £2m to over £31m and earnings per share increased thirty fold.

Expansion on this scale clearly could not continue indefinitely, and last year Berisford saw its pre-tax earnings rise by less than £1m. The high cost of borrowing coupled with a dull cocoa market had turned the hare into a tortoise. The reasons cited by Berisford for the slow down have affected traders in almost every commodity. Industrial disputes, a recession intensified by rising oil prices, and political uncertainty have all left their mark.

High interest rates can also have a punitive effect on traders such as Berisford. The debt position of such companies

can oscillate widely within any one year and some traders insulate themselves by medium-term borrowing at fairly modest rates while placing surplus cash on short-term deposit at high rates.

The increase in Berisford's interest charge from £2.9m to £10.4m last year, however, testifies to the strains that a high interest rate regime can impose. The problem is intensified by the fact that slack demand during a recession can make stocks hard to shift and expensive to finance.

To maintain growth, Berisford has been acquiring small companies, many of them in the commodities field. It has been particularly active in developing the manufacture and merchanting of secondary metals. Last year Berisford expanded the scope of its interests further by acquiring the Turner Curzon timber group for £17m.

And recently it made a daring £120m bid for British Sugar. The offer has been held up by a referral to the Monopolies Commission and would, in any case, severely stretch Berisford's own resources. It is capitalised at very nearly the same value as British Sugar.

A further complication is the Government's 24 per cent holding in British Sugar. The stake is likely to be sold in the near future but it is by no means certain the Government will

view Berisford as an appropriate buyer.

If the body contested bid is successful, Berisford will find itself with a sugar producer whose activities dovetail neatly with its own trading operations. Furthermore, British Sugar has recently completed a major capital expenditure programme and should be an impressive cash generator over the next few years.

Like Berisford, Gill and Duffus has an impressive and consistent growth record which gives the lie to a widely held belief that commodity broking is a boom and bust speculative activity. But Gill and Duffus, like Berisford, has run out of steam. Profits fell last year for the first time in 20 years in spite of a £1.5m contribution from its new chemical feedstock division.

The fall in profits to £20.6m illustrated the uncertainty of investing in commodity brokers. Companies with chequered records, such as Tate and Lyle and to a lesser extent Guinness Peat, did extremely well out of trading last year because the commodities in which they specialise (rubber and sugar respectively) were active.

Cocoa specialists with spectacular records, like Berisford and Gill and Duffus, foundered on a market deadened partly by uncertainty surrounding the renegotiation of the Inter-

national Cocoa Agreement earlier this year. The number of cocoa lots traded on the London terminal market fell from 982,000 in 1978, already well down on previous years, to 840,000 last year. The number of sugar lots, by contrast, increased from 693,000 to 885,000.

In assessing an investment in commodity trading, therefore, the criterion is not the same as for a commodity fund where the rise in price is of prime importance. For brokers, price volatility is the key.

Activity in a commodity is perhaps still harder to predict than the likely price movement. Yet, as the case of Gill and Duffus and of Berisford show, growth can be maintained to a degree by clever management.

Recently, for example, Berisford struck a deal with the Ivory Coast to market 100,000 tonnes of cocoa which had been stored in anticipation of a price rise. Whatever happens to the cocoa market this year, that deal alone should produce a profit of between £300,000 and £1m.

Particularly during a recession, when commodity brokers find it almost as hard to increase profits as manufacturers, the prudent investor will probably stick with proven expertise.

John Makinson

Managed funds enable smaller investors to join the game

PRIVATE INVESTORS tend to use managed funds for at least three reasons—first, to achieve economies of scale; second, to spread their risk; and third, to benefit from some one else's skill. Investors tempted to dabble in commodity markets—and in view of the relatively poor performance of equities in recent years there are an increasing number—have particularly good reason to be impressed by these arguments.

For example, the price of the cheapest single commodity contract at the moment is about £2,000, a minimum subscription which effectively bars many small punters from dealing in these markets on their own account. Furthermore, the sharp movements in prices in the last year or so mean that investors who stake everything on one commodity are regularly taking a reckless gamble. And finally, although not well documented, the performance of many of the funds which have been running in the last few years has been surprisingly good.

The case for seeking some sort of management has been put by Mr. Edwin Fory Hargitt, the U.S. metallurgist and senior partner in Dunn and Hargitt which runs a Pooled Commodity Account for international investors. "Eighty-five per cent of those who invest in the commodity markets are losers," he claims, "mainly because they have no trading plan. If you do not use basic ground rules, you are better off playing poker."

Assuming the force of this argument has been driven home and the investor has opted for an indirect route into the commodity markets, the next step is to decide what degree of risk to accept.

At the most cautious end of the spectrum, for instance, there are authorised unit trusts. Authorised unit trusts are controlled by the Department of Trade and, among other restrictions, are not permitted to invest in physical commodities.

There are, however, about ten authorised unit trusts which

specialise in the shares of gold mining, mineral exploration, oil and gas, and other commodity-related companies. These did extremely well in 1979 as the increase in the price of oil, in particular, and other commodities were reflected in their Stock Market rating. Three of Britannia Trust Management's funds—for example, Britannia Minerals, Britannia Gold and General and Britannia Universal Energy—topped the performance tables during the year with the Minerals price just about doubling.

By any standards this is a pretty good performance but, as a rule, authorised unit trusts tend to be less exciting than funds invested directly in commodities. This is because their portfolios include companies whose activities are well diversified and whose profits are only partly influenced by fluctuations in commodity prices.

Offshore bases

Funds which give investors a direct exposure to commodities are invariably based offshore, in such places as the Channel Islands and the Isle of Man. These funds, in principle, operate exactly like a unit trust but because they do not satisfy the DoT's requirements, they are not allowed to be constituted on the mainland.

In most cases they are effectively managed by London-based "advisers", whose names in many cases will have a distinctly familiar ring to investors.

Investment in commodities is potentially risky and not simply because of the volatility of prices. Because of the deposit and margin system which operates in the futures markets, the investor's commitment is considerably more than the capital he puts up if he chooses to invest direct—a deposit of only 10 per cent, for example, is required to open a transaction.

If, however, the price of a commodity falls by 10 per cent, the investor either has to close

his position or find a further deposit. If the price falls 50 per cent, his commitment will be five times his original outlay.

Selling "short" in the futures markets, that is, selling copper or zinc which you do not actually possess, is even more hazardous. If the price drops, the investor makes a profit by buying for less than the price at which he has agreed to sell. If it moves higher, however, his liability is theoretically unlimited.

This "gearing", of course, is what gives commodities their appeal and results in fortunes being made and lost in a day. One distinguishing feature of a number of commodity funds is that while investors' liability is limited beyond the cost of their shares or units, they can also gain exposure to "gearing". The level of "gearing" is therefore the most interesting variable when choosing a fund.

Individuals are occasionally prepared to risk losing all their money but a fund manager would look pretty silly if he was wiped out in the first week. Some funds, such as Old Court Commodity Trust, which is advised by N. M. Rothschild Asset Management, are therefore geared—that is to say if there is £100,000 available for investment, forward commodity purchases of no more than £100,000 may be made. Save and Prosper (Jersey) commodity fund is also pretty cautious, although marginal gearing is allowed.

Other funds, meanwhile, vary their gearing, though a ratio of three to one is considered by many to be the maximum advisable. In theory this means that a fund with £100,000 to invest could be called upon to find £300,000 if everything went wrong (the brokers generally indemnify the fund against "extra" calls).

In practice, of course, managers adopt certain tactics to keep their risk under control. One is to place "stop losses" so that if a market is moving unfavourably positions are liquidated before serious damage can be done.

Another is to "purchase call" and put options to sell and buy on a certain date at a certain price. This is effectively a form of insurance cover so that if things go badly the maximum loss is the premium paid to purchase the option.

One of the most conservatively structured funds, and the highest on the market at about £10m is the sterling-denominated Old Court Commodity Trust. About 45 per cent of the assets are invested direct in commodities, with a further 45 per cent in commodity-related stocks and shares and the balance in cash.

The fund is not allowed to sell short and no more than

10 per cent of the assets may be invested in any one commodity. Since its formation in January 1976 it has achieved an appreciation of more than 100 per cent (reinvesting net distributions).

Probably the most successful commodity fund is Armac, which was started in 1975. Since January 1976, it has been run by Mr. Joe Hales of Commodity Fund Management and over that period the fund's share price increased from about \$10 to its present \$66. Armac, whose brokers and major shareholder is Commodity Analysis, now totals about £2.1m. Mr. Hales also manages the successful Count and Wardage Funds. Count's price has moved up from £10 to £37 since its launch in January 1976 while investors in Wardage, which now totals about £4.9m, have doubled their capital since its formation at the end of 1977.

Mr. Hales says about 50 per cent of the assets of Armac are always invested in cash commodities (commodities for immediate delivery) or in cash. The gearing varies at any one time from nothing to a maximum of about 3:1.

Mr. Hales attributes his success to flexibility. "We don't have a commitment to a particular level of metal trading or soft commodity trading. Some people, I feel, have a favourite area which effectively closes doors to opportunities which may crop up elsewhere."

Among the smaller funds is Wren Commodity Trust, which is based in the Isle of Man. It is advised by Tiltson Commodity Management, and offers a similarly high degree of gearing and hence of risk.

Annual levy

On the importance of controlling the fund's gearing, Mr. John Tiltson, managing director, says: "You have got to keep your greedy glands under control. When things are going well it seems so easy to make money but, of course, the opposite can be true as well."

The charges for offshore funds range from most commonly a 5 per cent initial charge and a 1-2 per cent annual levy. On the other hand, the Silver and Copper Trusts, which simply provide investors with a vehicle to invest in those commodities, take only a 2 per cent initial charge.

Besides the offshore funds linked with UK advisers, there are an increasing number of commodity funds being offered publicly through U.S. brokers. One of the most recently launched is Hutton Commodity International, which was organised on February 1 under the laws of the Virgin Islands and which has its main office in the Bahamas.

Tim Dickson

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INVESTING IN COMMODITIES III

The futures market is always risky, but there is a way to cut down potential losses: commodity options

Options provide a safety net for speculators

THE GREATLY increased volatility of the commodity markets in recent years has offered the speculator greater potential profits than ever before. A \$10,000 outlay allows him in normal circumstances to purchase futures contracts to a value of £100,000; and with, say, a 25 per cent price appreciation in six months (not particularly unusual these days), a profit of £25,000 is quite possible.

But the potential loss is not just the £10,000 outlay—it could be the whole £100,000. And if our speculator decides to sell the market short, expecting prices to fall, his risk is unlimited. He can of course protect himself by placing a stop-

loss order with his broker at the time of purchase or sale, but then he takes the risk of finding himself out of the game within a few days of entering the market—and nursing a not inconsiderable loss.

There is an alternative, however: commodity options. For the payment of a premium, usually a little over 10 per cent of the market price, the speculator can purchase the right to buy or sell his chosen commodity at the current ruling price within the next year.

If the market moves in his favour by more than the price of the option he makes a profit; if it moves against him—no matter how far—all he stands to lose is his premium. Effect-

tively he eliminates excessive risk at the cost of reducing, but not limiting, his potential profit.

Say the futures price of sugar for delivery a year hence is £300 a tonne and our speculator fancies the market will rise substantially during that period. He can buy June 1981 sugar for £300 a tonne, laying out a deposit of £30 a tonne, or he can purchase a "call" option at a cost of about £30 a tonne. If he does the former, and if he is a prudent man, he will place a stop loss order, say at £270 a tonne. His risk in both cases is the same—£30 a tonne.

If his fancy proves correct and the price of June, 1981 sugar moves up steadily to £400 a tonne, the first course will yield him a profit (less commission) of £100 a tonne while the option will gain him only £70 (after deduction of the premium cost). But what if the price slips below £270 before rising to £400? In this case the option will still yield a £70 profit but the futures contract would have been closed out, leaving him £30 a tonne (plus commission) poorer.

Price rises

Another possibility is that the price rises to £350 a tonne after a few months and the speculator decides it is unlikely to rise further. In this case he would sell futures equivalent to his option but he would not declare the option itself. After all, he can do that at any time before next June.

He now has a guaranteed profit of £20 a tonne but he could make much more. If the price falls to £250 he can buy against his futures sales. His guaranteed profit has now gone up to £70 a tonne—£100 from the futures transactions less the cost of the original option. But he still has the option and if the price rises again could make yet further capital gains.

Of course this is a very rosy view. It is extremely rare for a speculator to find events

going in his favour to this extent. But considering the limited risk even the initial £30 profit would not be unwelcome.

The mechanics of option trading are quite simple. Options can be taken out at varying premiums, against any delivery position owned on the futures market (provided someone can be persuaded to "grant" it). A "striking" price is fixed at which the option can be declared, which will usually be the current quoted price for that particular position.

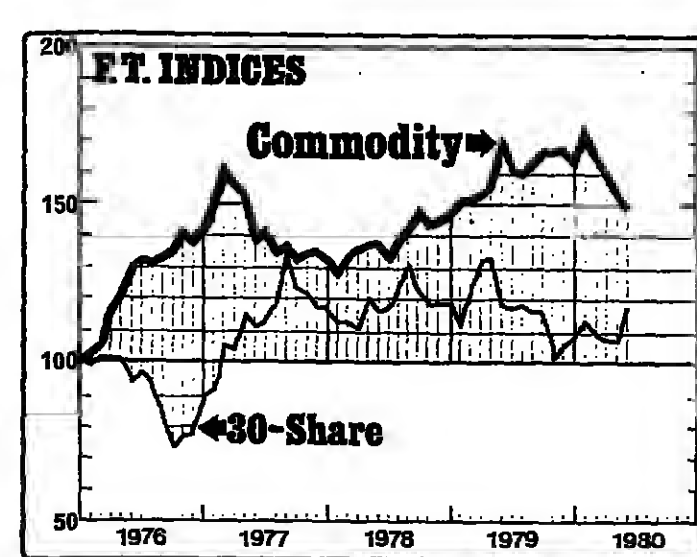
There are three types of option: "calls", which allow the holder to buy at the striking price; "puts", which allow him to sell; and "doubles" which allow him to do either but not both. A double option will generally cost twice as much as a single.

There is nothing to stop the speculator granting options himself, though this is a very risky business. Here his profit potential is strictly limited but covering when the market moves in the buyer's favour can prove very expensive.

The high activity and volatility of commodity markets recently might have been expected to have encouraged increased use of the option market. But this has not been the case. While turnover on most markets has fluctuated dramatically, the level of option trading has remained fairly stable.

One explanation of this could be greed. When a speculator enters a market, he feels, like any other gambler, that he is making a good bet. Why should he throw away some of the profits he is confident of gathering on option premiums?

It is also true that the extra complications of options can be off-putting to the non-professional trader. Another, possibly more potent, reason is basic distrust of options which has been heightened by recent scandals in the U.S.



Unscrupulous American "bucket shop" traders went in for a hard sell on London options. They made extravagant claims of guaranteed profits, charged inflated premiums, and often did not even take out cover against the options they sold.

When a few big "winners" found that the traders could not pay out, a major uproar ensued which ended with a wholesale ban by the U.S. authorities on trading in London options. With similarly alarming stories coming from West Germany serious damage was done to the reputation of option trading.

Although most outright speculators look to maximise their profits and therefore do not bother with options, there are many more modest commodity investors who seek only a reasonable return on their money. Rather than engaging in direct trading these generally entrust their money to one of the many discretionary fund managers who have set up shop recently.

These firms, because of the larger scale of their operations, are able to spread commodity investment more widely, and therefore more safely, than individual investors could. But even in this sector commodity options are rarely used.

One management firm that does make continual use of options is Tiltolton Commodities. Its founder, John Tiltolton, believes options are a useful tool both for "aggressive" and "defensive" trading.

There are four main techniques used by the firm. The offensive "take" involves the purchasing of options before an expected major price move, as described above. The defensive take is used to give protection against adverse market moves when a straight futures position is already held.

Granting options is also used both offensively and defensively by Tiltolton. The offensive grant is used when no position is held. If prices remain stable the firm pockets the premium but if a major movement occurs cover has to be bought or sold on the market. This is a high-risk tactic which requires a degree of control and discipline which only professional traders are likely to have.

The defensive grant involves granting options against an existing holding which is looking shaky. It has the effect of allowing more time for making a decision on whether to close the position.

Richard Mooney

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'Chartists' seek to plot their way to a killing

ANY COMMODITY broker will tell you that it is easy to make money when the markets are active. The more honest among them will also tell you that it is always easy to lose money by speculating in commodities.

Most investors favour the technique best described as "jumping on the bandwagon." When prices are rising they will buy and when prices are falling they will sell. When the movement is sustained—like the recent rise in sugar or the fall in cocoa—most speculators will come out in front.

The trouble is that really big movements like these are relatively few and far between. Stable markets are good for producers (providing prices are remunerative) and for consumers (providing they are reasonable) but they are bad news for the speculator.

The trick of making money in a relatively flat market depends mainly on one thing—timing. This is where charts come in. "Chartists", or technical analysts as they prefer to be known, spend their time poring over ever more sophisticated graphs and tables seeking the most propitious moment to trade. They may have a fundamental view of the market based on their assessment of supply and demand trends, but the actual act of trading will be triggered by the completion of a pattern on their charts.

At its simplest chartism is based on the assumption that history will repeat itself. If a graph displays a pattern which has previously preceded a major movement chartists will be on the lookout for the beginnings of a similar movement. This technique (if that is not too grand a word for it) uses the familiar line chart which simply plots the movement of prices over a period of time. But the chartist has far more cunning tools at his disposal.

One of these is the bar chart, which represents the price range over a given period (one day, two days, a week, etc.) as a vertical line. The wider the range, the longer the line. Often the closing price will be indicated by a mark on the line. This chart obviously contains far more information than a line chart. It shows trends in market volatility, in the relationship between the high or low point and the closing price, in the movement of periodic highs and lows (which may be different from, and more informative than, the closing price trend) and so on.

Within the bar chart the analyst looks for significant formations: a "head and shoulders" forecasting a sharp decline, for instance, or a "flying top" prophesying a strong upsurge. He also looks for "trend lines", straight lines connecting a series of prominences on the chart. When the trend is broken, often termed a

"key reversal", the chartist expects a substantial movement in the opposite direction.

Another form of chart used by technically minded commodity speculators is the point and figure chart. This has no arbitrary time span, its breadth being determined simply by changes in the direction of price movements. Sustained movements are recorded vertically in the same column, usually by an "up" for a fall and an "down" for a rise. The next column only comes into use when the trend is reversed.

In the point and figure chart the investor looks for "congestion areas" where there is a lot of movement within a limited range. These are taken to forecast a significant move when the price breaks out of the area. Some chartists also use the pattern of activity to forecast the direction of the market. If most activity is in the lower range it implies that support is being effected and that the next major move will be upwards. If the activity is at the higher end resistance is implied and a downward move is expected.

Basic tools

A further claim made for the point and figure chart is that it can predict the extent of the move. The breadth of the congestion area is believed by some to be directly related to the size of the next move.

In conjunction with these basic tools the chartist uses various refinements such as seasonal trend charts (to eliminate expected movements), moving averages (to smooth out violent fluctuations), oscillators, trading volume charts and open interest charts.

Only a truly dedicated chartist would trade entirely on the evidence of his charts, however. Some awareness of the fundamental factors is generally considered necessary, if only to determine the likely long-term trend within which short-term price movements are occurring. Few speculators, for instance, would sell coffee immediately after a frost in Brazil, whatever the charts foretold. Devotees of unquestioning chartism would argue, however, that such factors are taken care of in the charts. "If the market knows it, the charts know it too," is their creed.

Most such speculators operate in America. On this side of the water investors tend to be less trusting.

Though there is no guarantee of profit in chartism—natural phenomena like frosts, floods, and invasions of Afghanistan can upset the best laid plans of technical analysts—the chartist can take comfort in the knowledge that he is not short of allies.

If a thousand speculators are using the same techniques to analyse the same types of charts

drawn up from the same market data there is a natural tendency for them to come to the same conclusion at the same time. For this reason even the fundamentalist speculator cannot afford to ignore chart patterns. They are themselves important market influences. This is particularly true in the U.S., where chartism is far more popular than it is in Europe.

The "self-fulfilling prophecy" aspect is often used as an argument against technical analysis by its detractors. They say it clouds the issue and makes it impossible to establish whether the charts are really predicting market movements or actually making them happen.

This is one chicken and egg argument that can be traced back to source, however. The pioneering chartists drew their charts first. Only when they found the results encouraging did they actually put their money down. And it was their success which attracted more people to the cause. Chartism had proved itself a profitable market technique before it reached the stage of becoming a significant market influence.

Anyway, speculators use charts to make money, not to establish an academic principle. What do they care if it is only strength of numbers that generates their profits?

R.M.

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INVESTING IN COMMODITIES IV

The oil crisis, the fall in the value of the dollar and the Bunker Hunt silver debacle have been the main background influences in the London commodity futures markets during the past year. The depressing economic outlook is now the dominant

influence, although the aftermath of the silver crash has created suspicion about the whole futures structure. But while the general outlook is gloomy, the trend in prices of individual commodities is still very much controlled by supply-

demand developments. World sugar, for example, is enjoying a boom time after many years of depression, while previous high flyers such as cocoa and coffee are under pressure from reduced demand. John Edwards reports.

SUGAR

Star performer

STAR PERFORMER on the London commodity markets during the past year has undoubtedly been sugar. The London daily price for raw sugar has soared from £90 a tonne to a peak of £382 last month, the highest level for over five years. No one would be surprised if prices move even higher later this year, possibly even challenging the all-time high of £650 reached in 1974.

Poor crops in several important producing countries, notably Cuba, has been the prime reason for the rapid rise in world sugar prices. World production this season is forecast to fall at least 5m tonnes short of consumption, thereby reducing considerably the huge surplus of supplies previously overhanging the market.

Reserve stocks, put aside by members of the International Sugar Agreement in an effort to stop the decline in prices to uneconomic levels, were quickly snapped up once the ceiling of the agreement was breached earlier this year. All export quota restrictions have been abolished as well, leaving the market open.

There is some apprehension that the surge in prices may lead to a repeat of the 1974 boom that was swiftly followed by a much longer-lasting depression.

One similarity is that the last boom came just when the EEC was reviewing its sugar policy for the next five years. The high prices, and temporary scarcity of supplies, encouraged the Community then to expand production to such an extent that it became the largest exporter on the world market.

It is feared that the present boom will encourage the EEC to shelve plans for a cut in surplus production. These have already been effectively postponed for a year.

Cane sugar producers have also shown a remarkable ability in the past to increase output in response to higher prices.

Nevertheless, the consensus in the market is that supply and demand remain fundamentally strong even though prices have

been artificially inflated by premature speculative buying, followed by bursts of profit-taking sales.

It is feared a real shortage of sugar supplies could develop next year, unless beet crops in Europe and the Soviet Union increase sufficiently to offset threatened poor production in several key cane producing countries.

The move towards turning sugar into alcohol, notably in Brazil, has been slowed by the rise in prices, and the threat of rising competition from high-fructose maize-based syrups (isoglucose) remains.

COFFEE

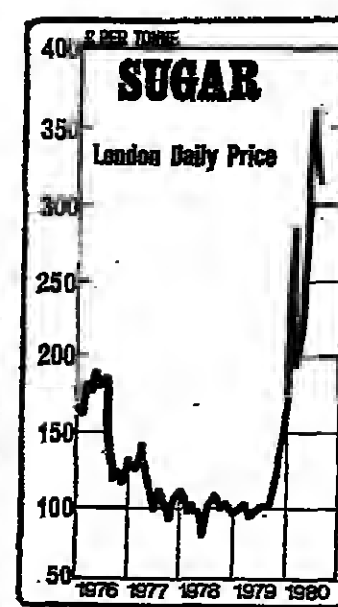
Surplus supplies

COFFEE PRICES have been sustained by heavy support buying organised by the leading South American producing countries through the so-called Bogota Fund, now relaunched under the title of Pan Cafa.

However, if July passes without any frost damage to the crop in Brazil, there will be further heavy downward pressure on prices.

Already values have fallen in the face of surplus supplies chasing sluggish demand, although consumption of coffee has recovered remarkably well from the damage done by the shortages and high prices in 1976 and 1977 following the famous 1975 frost.

But production has grown faster, and Brazil, for example, was only able to meet its export targets by negotiating a series of "special" deals with roasters at very competitive



SOYABEANS, GRAIN, POTATOES AND WOOL

Record world crops

THE SOYABEAN meal futures market in London has proved to be something of a disappointment in failing to attract the kind of support hoped for by its backers.

But it is felt this may have been partly caused by the relative steadiness of soy in recent years because of record world crops which ensured more than adequate supplies.

Meanwhile, the home-grown grain futures markets in London for barley and wheat have attracted increasing support both from the trade and outside speculators.

Turnover has now built up to much higher levels, after many years of poor support, and this is likely to continue with the international and domestic grain companies now using the markets in a much bigger way.

It is hoped that the newly-launched potato futures market, established in the

Baltic Exchange next to the grain markets, will benefit from the greater awareness in the agricultural industry of the role of futures trading.

Another new market off to a surprisingly good start has been the relaunched cross-bred wool contract, quoted in New Zealand dollars, and aimed specifically at the New Zealand trade.

After a slow start, interest has been stimulated by the introduction of innovation in futures trading. Although the market is based in London, overnight trading is also encouraged in New Zealand.

This "karp" trading is then registered in London the following morning and added to the general turnover.

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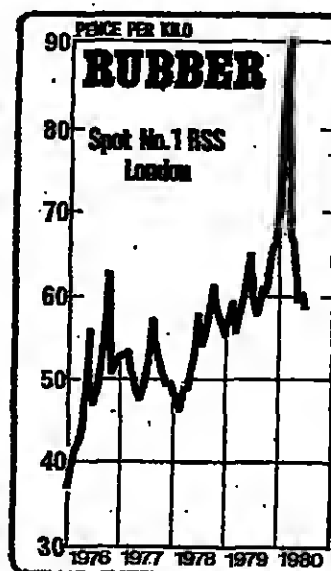
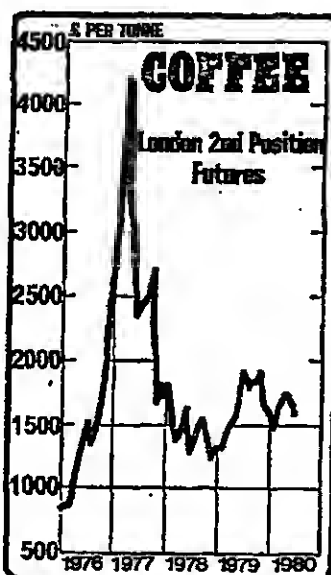
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RUBBER

Not much bounce

NATURAL RUBBER prices have fluctuated wildly in the past year but now appear to be settling down to a period of depression, reflecting the poor state of demand, especially from the hard-hit tyre industry.

The No. 1 RSS spot price hit a record 90p a pound earlier this year during the gold and silver "boom" as speculators rushed into any commodity market where the supply-demand fundamentals looked good. The resultant collapse was even more spectacular, as speculators moved out of a highly overbought market.

Prices have now stabilised at about 60p a pound, but short-term prospects are far from good.

However, the long-term outlook for natural rubber remains promising, with the rise in oil prices increasingly undermining the competitiveness of synthetic rubber.

It is hoped that the International Rubber Agreement between producing and consuming countries, which is due to come into force soon, will bring some stability to the market. Although the price range in the agreement is still below present depressed market levels, it should provide a safety net for producers against a really disastrous fall.

At the same time it can be expected that the price range will gradually be raised to encourage producers to expand output sufficiently to meet the long-term growth in demand which has been forecast.



COCOA

Downward trend

COCOA PRICES have sunk to Ivory Coast, encouraged by the lowest levels for over four years after an unsuccessful attempt by producers to control the market.

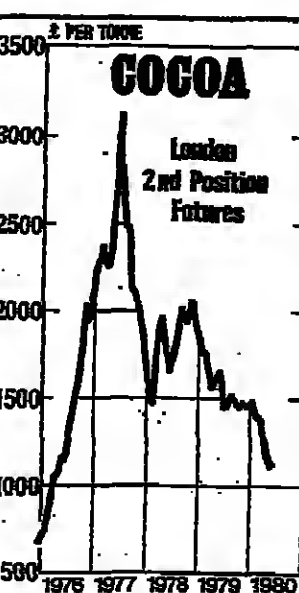
A surplus of world production over demand for three years in succession has been the underlying influence exerting downward pressure on cocoa prices.

A build-up in output by Brazil and the Ivory Coast, which has now ousted Ghana from its position as the world's number one producer, has arisen at a time when demand has to feel the effects of high prices during recent years.

Chocolate manufacturers have turned to substitutes where possible and used all kinds of available means to reduce their use of cocoa.

The developing recession in the Western cocoa consuming countries and a cut in purchase by the Communist bloc have hit demand hard at a time when production has risen steadily with no major crop setbacks for several years.

Worried by the decline in prices to uneconomic levels, the



single deals in the cocoa market. Brazil as a result abandoned its minimum export price of 120 cents, and the market has become a free-for-all. Negotiations may be resumed to rescue the International Cocoa Agreement, but the minimum price could still be a major stumbling block.

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FINANCE, LAND—Continued

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4	10274	10284	10294	10304	10314	10324	10334	10344	10354	10364	10374	10384	10394	10404	10414	10424	10434	10444	10454	10464	10474	10484	10494	10504	10514	10524	10534	10544	10554	10564	10574	10584	10594	10604	10614	10624	10634	10644	10654	10664	10674	10684	10694	10704	10714	10724	10734	10744	10754	10764	10774	10784	10794	10804	10814	10824	10834	10844	10854	10864	10874	10884	10894	10904	10914	10924	10934	10944	10954	10964	10974	10984	10994	11004	11014	11024	11034	11044	11054	11064	11074	11084	11094	11104	11114	11124	11134	11144	11154	11164	11174	11184	11194	11204	11214	11224	11234	11244	11254	11264	11274	11284	11294	11304	11314	11324	11334	11344	11354	11364	11374	11384	11394	11404	11414	11424	11434	11444	11454	11464	11474	11484	11494	11504	11514	11524	11534	11544	11554	11564	11574	11584	11594	11604	11614	11624	11634	11644	11654	11664	11674	11684	11694	11704	11714	11724	11734	11744	11754	11764	11774	11784	11794	11804	11814	11824	11834	11844	11854	11864	11874	11884	11894	11904	11914	11924	11934	11944	11954	11964	11974	11984	11994	12004	12014	12024	12034	12044	12054	12064	12074	12084	12094	12104	12114	12124	12134	12144	12154	12164	12174	12184	12194	12204	12214	12224	12234	12244	12254	12264	12274	12284	12294	12304	12314	12324	12334	12344	12354	12364	12374	12384	12394	12404	12414	12424	12434	12444	12454	12464	12474	12484	12494	12504	12514	12524	12534	12544	12554	12564	12574	12584	12594	12604	12614	12624	12634	12644	12654	12664	12674	12684	12694	12704	12714	12724	12734	12744	12754	12764	12774	12784	12794	12804	12814	12824	12834	12844	12854	12864	12874	12884	12894	12904	12914	12924	12934	12944	12954	12964	12974	12984	12994	13004	13014	13024	13034	13044	13054	13064	13074	13084	13094	13104	13114	13124	13134	13144	13154	13164	13174	13184	13194	13204	13214	13224	13234	13244	13254	13264	13274	13284	13294	13304	13314	13324	13334	13344	13354	13364	13374	13384	13394	13404	13414	13424	13434	13444	13454	13464	13474	13484	13494	13504	13514	13524	13534	13544	13554	13564	13574	13584	13594
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DAWA SECURITIES

MINES - Continued

Australian

1980	Low	Stock	Price	1979	Div	Yld	1980	Low	Stock
25	21	Acacia 20	23	15	0.0	0.0	25	21	Acacia 20
26	22	AGM 20	24	16	0.0	0.0	26	22	AGM 20
27	23	Bentley 10	25	17	0.0	0.0	27	23	Bentley 10
28	24	Bentley 10	26	18	0.0	0.0	28	24	Bentley 10
29	25	11% 10	27	19	0.0	0.0	29	25	11% 10
30	26	11% 10	28	20	0.0	0.0	30	26	11% 10
31	27	11% 10	29	21	0.0	0.0	31	27	11% 10
32	28	11% 10	30	22	0.0	0.0	32	28	11% 10
33	29	11% 10	31	23	0.0	0.0	33	29	11% 10
34	30	11% 10	32	24	0.0	0.0	34	30	11% 10
35	31	11% 10	33	25	0.0	0.0	35	31	11% 10
36	32	11% 10	34	26	0.0	0.0	36	32	11% 10
37	33	11% 10	35	27	0.0	0.0	37	33	11% 10
38	34	11% 10	36	28	0.0	0.0	38	34	11% 10
39	35	11% 10	37	29	0.0	0.0	39	35	11% 10
40	36	11% 10	38	30	0.0	0.0	40	36	11% 10
41	37	11% 10	39	31	0.0	0.0	41	37	11% 10
42	38	11% 10	40	32	0.0	0.0	42	38	11% 10
43	39	11% 10	41	33	0.0	0.0	43	39	11% 10
44	40	11% 10	42	34	0.0	0.0	44	40	11% 10
45	41	11% 10	43	35	0.0	0.0	45	41	11% 10
46	42	11% 10	44	36	0.0	0.0	46	42	11% 10
47	43	11% 10	45	37	0.0	0.0	47	43	11% 10
48	44	11% 10	46	38	0.0	0.0	48	44	11% 10
49	45	11% 10	47	39	0.0	0.0	49	45	11% 10
50	46	11% 10	48	40	0.0	0.0	50	46	11% 10
51	47	11% 10	49	41	0.0	0.0	51	47	11% 10
52	48	11% 10	50	42	0.0	0.0	52	48	11% 10
53	49	11% 10	51	43	0.0	0.0	53	49	11% 10
54	50	11% 10	52	44	0.0	0.0	54	50	11% 10
55	51	11% 10	53	45	0.0	0.0	55	51	11% 10
56	52	11% 10	54	46	0.0	0.0	56	52	11% 10
57	53	11% 10	55	47	0.0	0.0	57	53	11% 10
58	54	11% 10	56	48	0.0	0.0	58	54	11% 10
59	55	11% 10	57	49	0.0	0.0	59	55	11% 10
60	56	11% 10	58	50	0.0	0.0	60	56	11% 10
61	57	11% 10	59	51	0.0	0.0	61	57	11% 10
62	58	11% 10	60	52	0.0	0.0	62	58	11% 10
63	59	11% 10	61	53	0.0	0.0	63	59	11% 10
64	60	11% 10	62	54	0.0	0.0	64	60	11% 10
65	61	11% 10	63	55	0.0	0.0	65	61	11% 10
66	62	11% 10	64	56	0.0	0.0	66	62	11% 10
67	63	11% 10	65	57	0.0	0.0	67	63	11% 10
68	64	11% 10	66	58	0.0	0.0	68	64	11% 10
69	65	11% 10	67	59	0.0	0.0	69	65	11% 10
70	66	11% 10	68	60	0.0	0.0	70	66	11% 10
71	67	11% 10	69	61	0.0	0.0	71	67	11% 10
72	68	11% 10	70	62	0.0	0.0	72	68	11% 10
73	69	11% 10	71	63	0.0	0.0	73	69	11% 10
74	70	11% 10	72	64	0.0	0.0	74	70	11% 10
75	71	11% 10	73	65	0.0	0.0	75	71	11% 10
76	72	11% 10	74	66	0.0	0.0	76	72	11% 10
77	73	11% 10	75	67	0.0	0.0	77	73	11% 10
78	74	11% 10	76	68	0.0	0.0	78	74	11% 10
79	75	11% 10	77	69	0.0	0.0	79	75	11% 10
80	76	11% 10	78	70	0.0	0.0	80	76	11% 10
81	77	11% 10	79	71	0.0	0.0	81	77	11% 10
82	78	11% 10	80	72	0.0	0.0	82	78	11% 10
83	79	11% 10	81	73	0.0	0.0	83	79	11% 10
84	80	11% 10	82	74	0.0	0.0	84	80	11% 10
85	81	11% 10	83	75	0.0	0.0	85	81	11% 10
86	82	11% 10	84	76	0.0	0.0	86	82	11% 10
87	83	11% 10	85	77	0.0	0.0	87	83	11% 10
88	84	11% 10	86	78	0.0	0.0	88	84	11% 10
89	85	11% 10	87	79	0.0	0.0	89	85	11% 10
90	86	11% 10	88	80	0.0	0.0	90	86	11% 10
91	87	11% 10	89	81	0.0	0.0	91	87	11% 10
92	88	11% 10	90	82	0.0	0.0	92	88	11% 10
93	89	11% 10	91	83	0.0	0.0	93	89	11% 10
94	90	11% 10	92	84	0.0	0.0	94	90	11% 10
95	91	11% 10	93	85	0.0	0.0	95	91	11% 10
96	92	11% 10	94	86	0.0	0.0	96	92	11% 10
97	93	11% 10	95	87	0.0	0.0	97	93	11% 10
98	94	11% 10	96	88	0.0	0.0	98	94	11% 10
99	95	11% 10	97	89	0.0	0.0	99	95	11% 10
100	96	11% 10	98	90	0.0	0.0	100	96	11% 10

Tins

25	21	Acacia 20	23	15	0.0	0.0	25	21	Acacia 20
26	22	AGM 20	24	16	0.0	0.0	26	22	AGM 20
27	23	Bentley 10	25	17	0.0	0.0	27	23	Bentley 10
28	24	Bentley 10	26	18	0.0	0.0	28	24	Bentley 10
29	25	11% 10	27	19	0.0	0.0	29	25	11% 10
30	26	11% 10	28	20	0.0	0.0	30	26	11% 10
31	27	11% 10	29	21	0.0	0.0	31	27	11% 10
32	28	11% 10	30	22	0.0	0.0	32	28	11% 10
33	29	11% 10	31	23	0.0	0.0	33	29	11% 10
34	30	11% 10	32	24	0.0	0.0	34	30	11% 10
35	31	11% 10	33	25	0.0	0.0	35	31	11% 10
36	32	11% 10	34	26	0.0	0.0	36	32	11% 10
37	33	11% 10	35	27	0.0	0.0	37	33	11% 10
38	34	11% 10	36	28	0.0	0.0	38	34	11% 10
39	35	11% 10	37	29	0.0	0.0	39	35	11% 10
40	36	11% 10	38	30	0.0	0.0	40	36	11% 10
41	37	11% 10	39	31	0.0	0.0	41	37	11% 10
42	38	11% 10	40	32	0.0	0.0	42	38	11% 10
43	39	11% 10	41	33	0.0	0.0	43	39	11% 10
44	40	11% 10	42	34	0.0	0.0	44	40	11% 10
45	41	11% 10	43	35	0.0	0.0	45	41	11% 10
46	42	11% 10	44	36	0.0	0.0	46	42	11% 10
47	43	11% 10	45	37	0.0	0.0	47	43	11% 10
48	44	11% 10	46	38	0.0	0.0	48	44	11% 10
49	45	11% 10	47	39	0.0	0.0	49	45	11% 10
50	46	11% 10	48	40	0.0	0.0	50	46	11% 10
51	47	11% 10	49	41	0.0	0.0	51	47	11% 10
52	48	11% 10	50	42	0.0	0.0	52	48	11% 10
53	49	11% 10	51	43	0.0	0.0	53	49	11% 10
54	50	11% 10	52	44	0.0	0.0	54	50	11% 10
55	51	11% 10	53	45	0.0	0.0	55	51	11% 10
56	52	11% 10	54	46	0.0	0.0	56	52	11% 10
57	53	11% 10	55	47	0.0	0.0	57	53	11% 10
58	54	11% 10	56	48	0.0	0.0	58	54	11% 10
59	55	11% 10	57	49	0.0	0.0	59	55	11% 10
60	56	11% 10	58	50	0.0	0.0	60	56	11% 10
61	57	11% 10	59	51	0.0	0.0	61	57	11% 10
62	58	11% 10	60	52	0.0	0.0	62	58	11% 10
63	59	11% 10	61	53	0.0	0.0	63	59	11% 10
64	60	11% 10	62	54	0.0	0.0	64	60	11% 10
65	61	11% 10	63	55	0.0	0.0	65	61	11% 10
66	62	11% 10	64	56	0.0	0.0	66	62	11% 10
67	63	11% 10	65	57	0.0	0.0	67	63	11% 10
68	64	11% 10	66	58	0.0	0.0	68	64	11% 10
69	65	11% 10	67	59	0.0	0.0	69	65	11% 10
70	66	11% 10	68	60	0.0	0.0	70	66	11% 10
71	67	11% 10	69	61	0.0	0.0	71	67	11% 10
72	68	11% 10	70	62	0.0	0.0	72	68	11% 10
73	69	11% 10	71	63	0.0	0.0	73	69	11% 10
74	70	11% 10	72	64	0.0	0.0	74	70	11% 10
75	71	11% 10	73	65	0.0	0.0	75	71	11% 10
76	72	11% 10	74	66	0.0	0.0	76	72	11% 10
77	73	11% 10	75	67	0.0	0.0	77	73	11% 10
78	74	11% 10	76	68	0.0	0.0	78	74	11% 10
79	75	11% 10	77	69	0.0	0.0	79	75	11% 10
80	76	11% 10	78	70	0.0	0.0	80	76	11% 10
81	77	11% 10	79	71	0.0	0.0	81	77	11% 10
82	78	11% 10	80	72	0.0	0.0	82	78	11% 10
83	79	11% 10	81	73	0.0	0.0	83	79	11% 10
84	80	11% 10	82	74	0.0	0.0	84	80	11% 10
85	81	11% 10	83	75	0.0	0.0	85	81	11% 10
86	82	11% 10	84	76	0.0	0.0	86	82	11% 10
87	83	11% 10	85	77	0.0	0.0	87	83	11% 10
88	84	11% 10	86	78	0.0	0.0	88	84	11% 10
89	85	11% 10	87	79	0.0	0.0	89	85	11% 10
90	86	11% 10	88	80	0.0	0.0	90	86	11% 10
91	87	11% 10	89	81	0.0	0.0	91	87	11% 10
92	88	11% 10	90	82	0.0	0.0	92	88	11% 10
93	89	1							

